

EUROPEAN NEWS

Protests likely over proposed French defence cuts

By Ian Davidson in Paris

FRENCH defence spending is certain to sag below previously projected targets because of this year's scheduled review of the multi-annual defence programme, and it may move sharply downwards if the Finance Ministry gets its way. The prospect of defence spending cuts, currently the subject of fierce debate among the Prime Minister, the Defence Minister and the Finance Minister, seems certain to provoke bitter protests from the right-wing opposition parties when revised figures are presented for approval in Parliament.

The rapid increases in defence spending planned under the 1987 multi-annual defence law, designed to raise defence spending as a percentage of GDP from 3.72 to 3.99 in 1991, were described at the time by the right-wing sec-

retary of the Defence Committee of the National Assembly as "very ambitious". This is unlikely to prevent the right-wing parties, now they are in opposition, from decrying any attack on the defence budget by the Socialist Government.

Mr Jean-Pierre Chevènement, the Finance Minister, is stoutly resisting the demands of the Finance Ministry, in the hope of staying as close as possible to the rising trend of defence spending prescribed in the 1987 Loi de Programmation.

But Mr Michel Rocard, the Prime Minister, is determined that the overall French budget deficit will continue on its downward trend, and it already seems clear that he will in the end require severe revisions in the Defence Ministry's spending plans.

At this stage Mr Rocard has reached no final decision on the overall defence equipment budget for the next four years. But he is forcing Mr Chevènement to face the consequences of some uncomfortable budget-cutting choices, including delay, scale-back, or even cancellation of big weapons systems.

Last Friday Mr Rocard squared his position on the choices lying ahead at a meeting with President François Mitterrand, who by tradition has the final say on big defence policy choices under the Fifth Republic. This was a prudent preparation for a long and apparently difficult discussion which Mr Rocard had with Mr Chevènement on Sunday.

In the current 1989 budget, French military equipment spending is scheduled at FF11.2bn (\$17.6bn), up 5.7 per cent on 1988. The 1987 Loi de Programmation would require further increases in military equipment expenditure in the years ahead, to total FF47.0bn (in 1989 francs) over the next four years.

Under pressure for budget savings, the Defence Ministry has started to envisage a number of lesser budgetary hypotheses, with four-year totals of between FF43.3bn and FF45.0bn. But the Finance Ministry is reportedly demanding that this four-year total should be reduced to under FF40.0bn, which implies a real reduction in absolute terms of the equipment budget.

Mr Rocard has reportedly called on the Defence Ministry to examine the budgetary consequences of making savings in a number of defence equipment programmes, both naval and nuclear.

These hypothetical revisions include a cut in the number of "pre-strategic" Hadès mobile land-based missiles, from 120 to 85; a stretching of the construction programme for the new generation nuclear ballistic missile submarine; and a cancellation of the Charles de Gaulle aircraft carrier.

Mr Rocard does not believe France should give up any of its existing four military missions: nuclear deterrence, home defence, European defence, and out-of-area force projection. But he believes France can and must make significant savings.

A delay of a year in the in-service date of the FF40bn Charles de Gaulle, from 1996 to 1997, would save FF2.5bn; a delay of a year in the new nuclear missile submarine, from 1994 to 1995, would save FF1.1bn. If the Charles de

Gaulle were cancelled, Mr Rocard would expect the Defence Ministry to consider a less expensive alternative, similar to the British through-deck cruiser system.

Strikingly, the one major weapons system for which the Prime Minister has not called for any major revision or cut is the Rafale advanced technology fighter, which is expected to cost around FF120bn for 336 aircraft, and to come into service in 1996.

The cost of this project has been fiercely criticised on all sides; shortly after coming to power last year, Mr Rocard himself described the project as being "in a disastrous situation". Today, however, there appears to be a consensus that it is no longer possible to change either the scale of the project or the in-service date.

Soviet Party braced for poll post-mortem

THE ruling central committee of the Soviet Communist Party today faces one of its most stormy and potentially divisive plenary meetings since Mr Mikhail Gorbachev came to power in 1985. It must decide how to react to last month's shock election results.

A substantial minority of the central committee members are regional and city party leaders who were decisively snubbed by Soviet electors in the Easter Sunday poll, many failing to get half the votes even when standing unopposed.

Today's extraordinary meeting - still not officially announced in the Soviet media but confirmed yesterday by Mr Gennady Gerasimov, the Foreign Ministry spokesman - gives Mr Gorbachev a chance to hammer home his message that the vote was a decisive endorsement of his perestroika reform programme and a condemnation of those party organisations which have failed to become more democratic.

The meeting can decide changes in the membership of the ruling Politburo and limited changes in its own membership - possibly to replace some of the 70-odd "dead souls" who have lost their party or government jobs since the last central committee elections. They amount to more than one in five of the central committee's full members.

However, there could also be a strong backlash from the middle-ranks of the ruling party leadership, exposed in the elections for the first time to the danger of losing their seats, against what they see as an erosion of one-party rule and basic principles.

They are also likely to use the latest tragic nationalist demonstration in Georgia, which left 20 dead in the capital Tbilisi, to argue for the pace of reform to be slowed.

Rumours that the extraordinary meeting was summoned at the demand of disgruntled conservatives were dismissed by political observers in Moscow yesterday, arguing that the elections have greatly reduced their influence in the party structure.

Unprecedented criticism of the central party leadership and, by implication, of Mr Gorbachev, has come from one of the most powerful figures defeated in the election, Mr Anatoly Gerasimov, leader of the Leningrad city Communist Party.

He blamed "hastily-made, half-baked legal acts" - such as the anti-alcohol campaign and the creation of an agricultural "super-ministry" (now being disbanded) - for the unpopularity of the party at regional level.

But at the same time, his interview with the government newspaper Izvestia was defensive in tone, urging his party colleagues not to act too hastily on the basis of the election results. He also admitted that

Quentin Peel on the prospects of a conservative backlash at today's central committee meeting

the vote was a clear repudiation of the "conservative wing" of the party and its failure to adjust to the surge in political consciousness among voters. "When over 30 secretaries of regional [party] committees fail to get the support of the voters, then for whatever reason this must surely give any Communist grounds for serious contemplation," he said.

It would be unlikely Mr Gorbachev to seek an instant purge of the party ranks as a result of the election, urging the grass roots party organisations to decide for themselves where changes need to be made.

A key indicator will be the position of Mr Yuri Solovov, the Leningrad regional party chief and the only candidate member of the Politburo to be defeated. The Soviet leader has shown no sign of seeking his resignation from the most powerful body in the land.

Another would be a major speech from Mr Boris Yeltsin, who humiliated the Moscow city party machine in winning almost 90 per cent of the votes there. He is certain to argue for more of a purge in the party leadership.

Reformers fear a move from the party conservatives to postpone next September's local elections, on the grounds that the polls could be a backlash against party nominees now Soviet electors know they can get away with it.

Conservatives are also looking for a flat rejection of any talk of multi-party democracy, which several victorious candidates, including Anatoly Gerasimov's opponent in Leningrad, openly supported.

Another issue certain to be raised is the sorry state of the Soviet economy, underlined again at the weekend by deeply worrying statistics for the first quarter of the year. Opponents of the reform process can argue that so far it is causing more confusion than growth.

Thus wages grew more than twice as fast as output (8.4 per cent against 4.5 per cent in the first three months), hard currency imports from the West were up, and exports down.

Industrial production was up by 3.2 per cent, compared with 5.0 per cent in the same period last year, although consumer goods output rose 5.8 per cent. Anatoly Gerasimov argued that the people were clearly dissatisfied with the results of four years of perestroika: "there are unfulfilled expectations and a gap between the electrification of society which we created by making many promises of change, and what we have not yet achieved."

Portugal warns EC on future of textiles sector

By David Buchanan in Luxembourg

PORTUGAL yesterday warned its European Community partners that the Gatt trade talks might cause "a social and economic earthquake" in its textile sector.

But the Lisbon Government won only a vaguely-worded commitment for a European Commission study of "appropriate proposals" to help with possible textile sector restructuring. The UK said Portugal, one third of whose exports are textiles, should get no special aid, but should draw on newly increased EC structural funds.

Textiles emerged as the most politically sensitive of the four sectors, in which major participants in the Gatt talks recently reached interim agreement in Geneva.

EC ministers stressed that the current special restrictions governing textiles - the Multi-Fibre Arrangement - should be scrapped only if there was a general opening of all markets, equal competitive conditions, and temporary safeguards.



A striking coal miner carrying police riot gear yesterday as several hundred demonstrators mass outside local mining headquarters in Houthalen, Belgium. Reuter reports from Brussels. Paramilitary police battled with the protesting miners, who are trying to stop planned pit closures. Police used tear gas to try to disperse the demonstrators at the Houthalen headquarters, about 45 miles east of Brussels, where the protesters tried to erect barricades across nearby roads.

At one point a police officer fired a pistol several times in the air to free a colleague

cornered by protesters, a police spokesman said. He said six police were treated for injuries. It was not immediately clear how many miners had been hurt, whether there had been any arrests or if the police had succeeded in dispersing the miners. Belgian radio reported that police wielding batons charged the miners several times then used tear gas. Some demonstrators entered the headquarters building and hurled files out of the window. The miners, who were protesting against the planned closure of mines in Beringen and Zolder in 1992, also blocked a motorway access road.

Dutch environment plan near completion

By Laura Raun in Amsterdam

THE Dutch government, after months of bargaining between ministers, is almost ready to announce details of a National Environment Plan designed to slash air pollution by 70 to 90 per cent by the year 2010.

The plan, the most ambitious and wide-ranging blueprint for ecological policy ever announced by a European Community member, is expected to be finally accepted by the whole Cabinet on Friday. At the same time ministers will approve the broad outlines of the 1990 budget.

Central to the plan is the "polluter pays" method of financing environmental care, with government subsidies kept to a minimum. Costs of the plan are expected to climb to Fl 6.6bn (\$1.85bn) in 1994, with around Fl 3.4bn paid by consumers through higher prices, Fl 2bn through higher indirect taxes, and the remaining Fl 1.2bn through savings in the government budget.

Horse-trading between Cabinet ministers has been complicated by the twin pressures of public opinion, which strongly favours greater emphasis on the environment, and the governing coalition's 1986 commitment to reduce the budget deficit.

Under a compromise covering both the environment plan and the 1990 budget, some Fl 2.4bn will be saved in areas other than environment; it is not yet clear how much of this money will be diverted to ecological spending. The deal was thrashed out between Mr Ruud Lubbers, the Prime Minister, and Mr Onno Ruding, his hard-line Finance Minister.

Mr Ruding insisted that the budget deficit shrink, in line with long-agreed plans, to 4.8 per cent of Gross Domestic

Product in 1990 from a projected 5.3 per cent this year, and that the combined burden of taxes and welfare premiums drop, in line with the coalition's governing accord.

He threatened to resign last week in protest at what he viewed as an appalling lack of budgetary discipline among Cabinet ministers. But his colleagues, including the Prime Minister, argue that environmental exigencies outweigh the governing accord, especially in an election year. General elections will be held in April or May 1990 and "green" issues are likely to rank at the top of the list.

Under the compromise package Mr Ruding won hard promises of more fiscal discipline, in exchange for his blessing for the 1990 budget.

The Fl 2.4bn in budget savings next year are likely to hit the education, housing and perhaps defence ministries the hardest. The environment and transport ministries, meanwhile, say they want more money for subsidising energy conservation and public transport.

The 20-year environment plan seeks to rid this densely populated country's soil, water and air of harmful pollutants such as carbon dioxide and nitrous oxides. Annual costs could soar as high as Fl 16bn.

The new Dutch plan comes on top of considerable achievement in reducing the sulphur dioxide emissions, which cause acid rain.

Farmers, whose intensive stock-breeding and use of fertilisers has been identified as a major contributor to the acidification of soil and water, are the only big social group to have opposed a massive drive against pollution.

Italian payments balance in black

ITALY'S overall balance of payments swung back into surplus in March for the first time since October, Bank of Italy figures show, agencies report. A surplus of L309bn (\$227m)

was recorded, against a L3.33 trillion deficit in February.

However, the annual inflation rate, based on a survey of 7 major cities, is at its highest since April 1986, at 6.6 per cent.

Bank of Greece warns on public sector deficit

THE Bank of Greece, the country's central bank, is expected to sound a warning on the country's rapidly rising public sector deficit in its annual report on the economy this week, Andriana Ierodiakonou reports from Athens.

Greece's net public sector borrowing requirement (PSBR) was reduced from 18 per cent of GDP to approximately 13.5 per cent between 1985 and 1987, as a result of a stringent stabilisation programme centring on a wage and salary freeze.

This trend was reversed in 1988 however, and there are fears that the PSBR may have climbed back up to 30 per cent of GDP by the end of 1989, higher than when the austerity measures were introduced.

With general elections due next June, drastic cuts in public sector spending are unlikely despite the bank's warning. The general assumption is that the Drs 1.4 trillion (thousand billion) budget deficit (55.2bn) projected for 1989, itself a record, will be significantly overshot.

FINANCIAL TIMES
Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClellan, G.T.S. Damer, M.C. Gorman, D.E. Palmer, London, Printer: Frankfurt/Societate-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9PL. © The Financial Times Ltd. 1989.

FINANCIAL TIMES, USPS No 190840, published daily except Sundays and holidays. US subscription rates: \$365.00 per annum. Second-class postage paid at New York, NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen K, Denmark. Telephone: (01) 13 44 41. Fax: (01) 933335.

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| 3 ABBEY NATIONAL | 22.12 |
| 4 HALIFAX | 21.40* |
| 5 LEEDS & HOLBECK | 21.20 |
| 6 LEEDS PERMANENT | 20.74 |
| 7 ALLIANCE & LEICESTER | 20.31 |
| 8 CHELSEA | 20.26 |
| 9 TOWN & COUNTRY | 19.90 |
| 10 YORKSHIRE | 19.68 |
| 11 NATIONAL & PROVINCIAL | 19.24 |
| 12 BRADFORD & BINGLEY | 19.19 |
| 13 COVENTRY | 18.87 |
| 14 NORTHERN ROCK | 18.50 |
| 15 BRITANNIA | 17.60 |
| 16 BIRMINGHAM MIDSHIRES | 16.00 |
| 17 WOOLWICH | 15.51 |
| 18 BRISTOL & WEST | 15.26 |
| 19 GUARDIAN | 14.86 |
| 20 NATIONWIDE ANGLIA | 12.29* |

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| 3 CHELSEA | 23.04 |
| 4 ALLIANCE & LEICESTER | 22.90 |
| 5 HALIFAX | 22.30* |
| 6 BIRMINGHAM MIDSHIRES | 21.70 |
| 7 WOOLWICH | 20.46 |
| 8 LEEDS & HOLBECK | 20.40 |
| 9 ABBEY NATIONAL | 19.41 |
| 10 LEEDS PERMANENT | 18.14 |
| 11 GUARDIAN | 17.39 |
| 12 BRISTOL & WEST | 17.25 |
| 13 NORTHERN ROCK | 16.90 |
| 14 COVENTRY | 15.91 |
| 15 TOWN & COUNTRY | 15.43 |
| 16 BRADFORD & BINGLEY | 15.00 |
| 17 BRITANNIA | 14.70 |
| 18 YORKSHIRE | 13.54 |
| 19 NATIONWIDE ANGLIA | 12.67* |
| 20 NATIONAL & PROVINCIAL | 11.50 |

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EUROPEAN NEWS

De Benedetti and Canal Plus study pay TV for Italy

By Alan Friedman in Milan

MR Carlo De Benedetti is to join forces with Canal Plus, the successful French pay television network, to study the possibility of launching Italy's first pay TV.

The second between Mr De Benedetti and Mr Andre Rousselet, chairman of Canal Plus, was announced yesterday by CIR, Mr De Benedetti's main holding company. In a separate development CIR also said it would soon set up its first financial investment company in Greece: the De Benedetti group already has holding vehicles in France (Cerus) and Spain (Cofir).

An aide to Mr De Benedetti said yesterday: "We will examine whether it is feasible to organise a pay-television station in Italy that would be modelled on Canal Plus."

The French station is the world's first over-the-air pay TV broadcaster, giving viewers special decoder boxes to receive transmissions. The normal method for pay TV else-

where is a cable service.

If Mr De Benedetti and Mr Rousselet decide to go ahead with an Italian pay TV venture it would probably be handled by Mondadori, the publishing group controlled by Mr De Benedetti.

The idea of starting a pay TV system in Italy has been growing in popularity in recent weeks. Mr Silvio Berlusconi, the media magnate who controls 45 per cent of prime time viewing with his three commercial networks, has recently approached such figures as Mr De Benedetti, Mr Gianni Agnelli of the Fiat group and Mr Raul Gardini of the Ferruzzi group, in order to raise the prospect of a joint venture in pay television.

Flat said yesterday the group was not interested in a pay TV venture. Mr De Benedetti has clearly chosen to ally himself with Canal Plus. Mr Gardini could not be reached for comment yesterday.

Vranitzky warns on Austrian right-winger

By Judy Dempsey in Vienna

AUSTRIA'S Socialist-led coalition government would be "rendered a disservice" if its junior partner, the conservative People's Party (ÖVP), helped to elect Mr Jörg Haider, leader of the far-right wing Freedom Party (FPÖ), as provincial governor of Carinthia, according to Mr Franz Vranitzky, the Socialist Chancellor.

In a wide-ranging interview with the FT, Mr Vranitzky described Mr Haider as a "populist" who over the past two years had introduced into Austrian politics "manners and tactics which mostly rely on populist and demagogic elements".

"If one of the federal government's own parties voted for the leader of the opposition, who incidentally, took away votes from the ÖVP, it would be a bad service. The mutual confidence [between the coalition partners] would be served

if it [the ÖVP] did not vote for Mr Haider," he added.

However, the Chancellor would not be drawn on the possibility of an early election if Mr Haider was elected governor with ÖVP support.

The prospect of Mr Haider becoming governor of Carinthia has opened up following recent provincial elections in which the FPÖ made strong gains at the expense of the ÖVP both in Carinthia - where the Socialist majority was broken for the first time since 1985 - and in Tirol and Salzburg.

But last week saw a series of manoeuvres on the part of the national leadership of the ÖVP, combined with threats by the Socialists that they would pull out of the coalition: it now seems more likely that the ÖVP in Carinthia might support the incumbent Socialist, Mr Peter Ambrozy.

Ruling on Daimler tie with MBB explained

By Leslie Collett in Berlin

THE West German Cartel Office disclosed yesterday that it ruled against the planned merger between Daimler-Benz and Messerschmitt-Bölkow-Blohm (MBB) because it would create or strengthen "market-dominating positions" in the arms, aerospace and truck industries.

Daimler-Benz and MBB had said they would appeal to the Economics Ministry to overrule the Cartel Office's decision last Friday. But the Minister, Mr Helmut Haussmann, came under growing pressure from his liberal Free Democrat Party (FDP) to uphold the ban.

Mr Stefan Held, a director of the Cartel Office in Berlin, said it regarded competition for contracts in the early stage of weapons development and procurement as vital. The prime contractor decided the proportion of the work other companies would get, a decisive point for the Cartel Office.

Mr Held said the dominant market presence of the merged companies could not be matched by foreign companies, as weapons procurement was still largely nationally-oriented. Although 70 per cent of West Germany's defence contracts were carried out in international co-operation, no foreign company had a chance to compete for the German portion of a project. Nor would the situation change in the foreseeable future, even with a single European market.

Daimler-Benz and MBB had argued that the existence of international competition voided the cartel objections.

"Economic power can become political power," Mr Held remarked, even if Daimler-Benz, West Germany's largest company, said it did not intend to exert political influence. He said that with 60,000 of West Germany's 68,000 defence industry employees working for Daimler-Benz and MBB, politicians could be told that a contract was needed in order to maintain employment.

The Bonn Government had supported the Daimler-Benz merger with MBB, saying it would rationalise participation in the European Airbus project, in which MBB has a share of nearly 38 per cent.

Prime Minister loses defamation case over secret service report

Another embarrassment has hit Turkish Prime Minister Turgut Ozal as former joint military chief of staff General Necdet Urug has won a defamation case over a controversial secret service report last spring, Jim Bodgener writes from Ankara.

This follows a local election last month where the increasingly opulent and Ottoman style of his regime,

together with high inflation, helped to turn the electorate against him.

The report from the National Intelligence Organisation (MIT) referred to Gen Urug's behaviour while in command of the Istanbul province following the 1980 military coup.

But Turkey's supreme administrative court, the Council of State, decided yesterday the report was defamatory and

invaded the general's privacy. Since MIT, though run by the military, is responsible to the premier, the court directed that damages of TL40m (£25,600) be paid by Mr Ozal's office. "The office of the Prime Minister assaulted Urug's personality... by making public documents with unproven allegations," said Mr Serafettin Kaya, a Council of State member.

The report was issued against the background of a behind-the-scenes struggle between the civilian government and the military for pre-eminence in MIT, said to have been resolved in favour of the latter. In one analysis, it was intended to blight the general's chances of the presidency, in Mr Ozal's favour, when President Kenan Evren steps down in November.

Ozal caught between inflation and wages

Union militancy further threatens Turkey's ruling party, writes Jim Bodgener

MR TURGUT Ozal, Turkey's Prime Minister, is girding his administration for an all-out battle with the high inflation primarily responsible for the crushing defeat of his ruling Motherland Party (ANAP) in local elections last month.

At the same time, he has had to make concessions to strident grass-roots militancy in public sector trade unions.

Widespread "passive" worker protests across the country, including mass medical checkup walk-outs, have already given Mr Ozal a taste of the damage a wave of public sector strikes could inflict on the economy and its structural adjustment programme.

The once moderate leadership of the main Turk-Is labour confederation has been unusually intransigent of late: its president, Mr Sektir Yilmaz, and his fellow-leaders, face re-election this year.

Bitter frustration among workers is exacerbating a militancy which has been latent on the shop-floor since the suppression of the left-wing DISK trade union after the 1980 military coup.

Although inflation has fallen back to 65.4 per cent at the end of March from a peak of 87 per cent in November, an underlying slump in demand as a result of austerity measures last year reflects the stretching of lower incomes to breaking point.

May Day is looming, with the prospect of a mass demonstration in Istanbul's central Taksim square by independent unions and affiliates of Turk-Is - although Turk-Is itself will only issue a statement of protest.

Agonised memories remain of May Day 1978 when 44 died in the chaos after security forces fired on crowds at a DISK mass rally in the square.

So far, the Government has not officially budgeted from offers of around 120 per cent for the 500,000 state employees whose wage rises for 1989-90 are being negotiated.

But senior bureaucrats said last week that the Government would compensate low income groups. Turk-Is officials say 220 per cent is needed to make good real lost income since 1986.

The Government would aim to squeeze the public sector for further savings to the lira equivalent of \$1bn with which to compensate low income groups, acting treasury head Mr Namik Kemal Kilic said in an interview.

At the same time, demand and production would be regenerated through a renewed programme of social housing construction and the encouragement by development bank discounts of export-oriented industry, he added.

Officials say off-setting wage increases against savings will allow the Government to keep to its planned 1989 budget targets.



Turkish student protesters hide their faces from the cameras

gets. It could then concentrate on reversing an export slowdown resulting from the phasing out of export tax rebate incentives to satisfy Gatt.

The latter would be achieved by utilising part of Turkey's record \$1.5bn current account surplus last year to increase insurance and guarantee services to exporters offered by the new Export Import Bank of Turkey and by direct investment in export industry

through the Turkish Development Bank, said Mr Kilic.

The buoyancy of overseas sales in 1986 and 1987 was not expected this year, said Mr Ali Tigril, head of the State Planning Organisation, although given the slightly unhealthy current account surplus, a fall off could be accommodated easily. Nevertheless, there would still be a comfortable surplus this year, he predicted.

To finance the \$2bn budget deficit planned this year and

cash payments to farmers later in the summer, the treasury would tap the markets through issues of treasury bonds and bills, rather than being a drain on the central bank, said Mr Kilic.

Whether inflation falls or not will also govern when general elections are called. Despite his assertions to the contrary, it is generally agreed Mr Ozal must seek a fresh mandate to rehabilitate his administration's jaded image, either in the autumn before parliament selects a replacement in October for President Kenan Evren, or early next summer.

Dashed for the present are the premier's own presidential ambitions, although if early general elections produced a sufficient mandate in September, he might be tempted to make a last-minute bid.

There is already a fierce struggle for the traditional leadership of the right between Mr Ozal and veteran former premier Mr Suleyman Demirel, leader of the third largest parliamentary grouping, the True Path Party (TTP).

From his emotive calls for anti-ANAP rallies across the country, it is plain Mr Demirel knows he must quickly capitalise on the swing vote to the TTP in rural areas that relegated ANAP into a miserable third in the local election national voting averages. On the other hand, Mr Ozal needs time, but has little of it.



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OVERSEAS NEWS

Takeshita aims to quell speculation on his future

By Stefan Wagstyl in Tokyo

MR Noboru Takeshita, Japan's beleaguered Prime Minister, yesterday battled to quell speculation that he is about to resign over his involvement in the Recruit financial scandal.

He denied a Japanese newspaper report that he had asked Mr Masayoshi Ito, a senior member of the ruling Liberal Democratic Party, to succeed him in office. The report said 75-year-old Mr Ito refused the appeal on grounds of ill health.

Mr Takeshita insisted he planned to go ahead with a nine-day visit to south-east Asia, due to start on Saturday. He dismissed reports that he might have to cancel the trip in order to deal with political turmoil caused by the scandal.

However, Mr Takeshita's remarks did little to restore his authority at a time when his own party is discussing his possible resignation increasingly openly.

Mr Michio Watanabe, chairman of the LDP's policy research committee, said yesterday that under the circumstances it was natural for party members to have various opinions on Mr Takeshita's future.

However, Mr Watanabe added that the Prime Minister had important work to carry out - including securing the passage of a stalled budget bill, going on the south-east Asian visit, and attending the Paris summit of Western leaders in July.

Analysts said Mr Watanabe's remarks implied that Mr Takeshita might quit after the

Japanese wholesale prices rose 1.5 per cent in the first 10 days of April compared with the previous 10 days, but a Ministry of Finance official said the news did not warrant an immediate increase in the Bank of Japan's discount rate.

Statistics for the first 10 days of a month seldom attract much attention in Japan, but the wholesale price index figure was the first indicator of the implementation of a 3 per cent value added tax on April 1.

Also, financial analysts in

summit.

Mr Takeshita's latest embarrassment stems from revelations over the weekend that he received a previously undisclosed ¥50m (\$223,000) loan from Recruit, the business information company at the centre of the scandal. This money was not included in a statement of ¥151m in contributions from Recruit which the Prime Minister made to the Diet (Parliament) only two weeks ago. Opposition leaders condemned Mr Takeshita for misleading the Diet.

Even before news of the loan emerged, Mr Takeshita faced intense difficulties trying to get the 1989-90 budget through parliament.

Opposition parties have been boycotting debates in order to try to force the LDP to make

former have become increasingly nervous about the possibility of a discount rate rise in recent weeks, especially since the rise in official West German interest rates last week.

The overall wholesale price index reached 88.5, 2.5 per cent higher than a year earlier, but still well below the 1985 base of 100.

The ministry official said the government was not concerned about the 10 day figures, but would be paying much greater attention to the behaviour of the consumer price index for April.

Mr Yasuhiro Nakasone, the former prime minister, gave evidence before the Diet about his role in the Recruit affair.

The LDP has had to pass a temporary budget for the financial year which began on April 1.

It has repeatedly threatened to railroad the actual budget through the Diet in defiance of the tradition that bills are passed by consensus. However, it has not carried out its threat for fear of alienating potential allies among the opposition parties.

As a result the two sides remain deadlocked.

The LDP has set various deadlines for the budget bill's passage. The latest is this Friday, but it was being said yesterday that this might prove as flexible as previous ones.

UN report challenges World Bank Africa study

By Michael Holman

A UNITED NATIONS report yesterday challenged the findings of a recent World Bank study which concluded that an economic recovery is underway in those African countries implementing structural adjustment programmes.

The UN Economic Commission for Africa accuses the Bank of making "selective" and "inconsistent" use of economic data, and of overlooking the adverse impact of adjustment policies on the poor.

World Bank paper published last March argued that African countries could have "adjustment with growth" if governments implement reforms and if donors provide additional resources.

The cautiously optimistic picture painted was seen by some African governments as an attempt to vindicate policies drawn up by the World Bank and the International Monetary Fund, adopted with varying degrees of enthusiasm by over half the 45 sub-Saharan African states.

The Bank's findings were immediately disputed by the Addis Ababa-based Economic Commission for Africa (ECA), which earlier this year declared that the continent's decline "continued unabated".

The 25 page ECA report published yesterday says that "some central conclusions of the Bank study" can only be arrived at if a high degree of selectivity in handling data is practiced.

Reference periods "seem to have been chosen, at least in some cases, to fit pre-conceived conclusions," it adds.

The ECA is particularly critical of the findings that benefits of structural adjustment programmes (SAP) have been demonstrated: "Countries that are not adhering to IMF and World Bank supported SAPs are being penalised and starved of resource flows ... indeed, domestic reform efforts of many African countries have been thwarted because of this very factor."

Mayekiso acquitted of subversion

By Anthony Robinson in Johannesburg

MR Moses Mayekiso, general secretary of South Africa's Black engineering workers' union (Numsa), yesterday left court a free man as he and four co-accused were acquitted of subversion and sedition after a two-year trial.

The five, whose case has been championed by British, Scandinavian and other trade unions, were detained in 1986 under security laws and emergency regulations. They were originally also charged with treason for their part in setting up "alternative people's structures" in Johannesburg's Alexandra township.

The state charged that this challenge to white authority, part of the general insurrection which swept the black townships between 1984 and 1986, amounted to treason and subversion.

Mr Chris Dhlamini, general secretary of the Cosatu federation said "Cosatu and the United Democratic Front were also on trial, and the court has ruled that our fight for freedom is legal".

Mr Bernie Farnworth, national secretary of Numsa, added: "A guilty verdict would have opened the floodgates to more prosecutions of unions".

Labour relations poser for Seoul

Strikes have highlighted a clash of attitudes, Maggie Ford writes

INDUSTRIAL relations in South Korea are nearing a turning point which could indicate whether the future is to be one of confrontation or peaceable negotiations.

As the country continues its political transition from authoritarian rule to democracy, strikes and other labour disputes have highlighted both the intractable attitude of some older managers and the emotional intensity which confrontations can generate.

The difficulties facing management and workers in finding a way towards industrial peace are compounded by the tensions of both right and left-wing forces to use disputes for their own political purposes.

Hardliners in the Government, supported by some business leaders, have claimed that unions are being influenced by radical groups and have demanded a crackdown on such elements.

While police, accompanied by much media fanfare, have arrested several union members, including a few student advisers, much of the police intervention seems more apparent than real.

A military-style dawn raid by 10,000 riot police at the ship-building subsidiary of the Hyundai business group recently found no workers at the yard and failed to end the strike which had continued for two months. After a stern warning from the Ministry of Industry, Mr Chung Ju Yung, chairman of Hyundai, despatched a team of top company managers to the yard to look into the workers' grievances.

The team is also studying the problems at Hyundai's other companies where pay negotiations began in April. Company efforts to split union



Strikers protest at the police storming of the Hyundai shipyard

representation and to have union leaders arrested have created severe bad feeling in Ulsan, the Hyundai company town.

It is not yet clear, however, whether the investigation signals a change of attitude on the part of one of the most hardline managements or whether good relations can be restored in the long term.

Pressure on the Government for further crackdowns continued last week, with the arrest of a number of union leaders at an industrial complex of small companies near Seoul.

A rumour, so far unconfirmed, that a general strike is to be held on May Day, has caused public concern. But large companies, union leaders and opposition politicians, deny that any strike plan exists.

Mr Kim Dae Jung, the main opposition leader, appealed to union members and students to be careful not to lose the sympathy of the public or to "fall into a trap set by government hardliners".

The heated atmosphere caused by the politicisation of the labour situation does not seem to have hindered negotiations seriously so far.

At the Samsung business group, the biggest electronics maker, where negotiations are carried on through labour-management councils rather than unions, a group-wide settlement was announced last week. Workers are to receive an average 17.8 per cent rise with extra fringe benefits.

At the GoldStar group, South Korea's second largest electronics and semiconductor producer, agreement has been reached on a 19.5 per cent rise at two subsidiaries. A further seven per cent on strike, but negotiations are continuing and a company spokesman said he expected a successful outcome shortly.

In the motor industry, where pay talks are under way or yet to start, production has suffered some fairly minor interruptions due to shortages of parts following strikes at some suppliers.

Among foreign companies, about seven banks have settled without strikes at widely different pay levels ranging from under 20 per cent to 37 per cent. The banks were presented with claims designed to even out discrepancies in salaries across the sector.

Manufacturers with foreign investors continue to present a mixed picture. At Matsushita, the US semiconductor maker, where a violent dispute broke out late last year, an agreement to recognise the union has been signed, the first in the company's history.

A number of other US companies, including Tandy Electronics, makers of the Tandy computer, appear to have decided to close down rather than negotiate with workers, transferring their production to Korean-run companies to prevent a mixed picture.

This has generated emotional protest by workers, primarily women and apparently uninvolved in industrial action, who have been deprived of their jobs and in some cases their severance pay. A company executive has held hostage at T Electronics for a week.

The level of pay settlements so far suggests that times of between 15 and 20 per cent are likely to be common, with agreements involving quite substantial wage restructuring to remove anomalies.

Companies have indicated that this can be absorbed since productivity remains high. They appear to be more concerned about loss of production through stoppages.

As South Korea continues its difficult transition, political and management attitudes, rather than workers' greed or laziness, are likely to be the key to future success or failure of its industrial relations.

Consumers call boycott of Algerian food shops

A GROUP calling itself the "Angry Consumers Association" yesterday called for a national boycott of food shops in Algeria in an effort to drive down soaring prices, Reuters reports from Algiers.

The official Algerian news agency APS said the association, based in the western town of Oran, urged people to boycott red meat, fish and vegetables for four days starting on Thursday.

Consumer groups have already staged shopping strikes in several towns, including Algiers, Oran and Tizi Ouzou, after the prices of meat and vegetables doubled or tripled in two weeks.

"The main labour federation, the Union General des Travailleurs Algériens, said it would support the national food strike, APS reported.

Reports in the local media suggest protests against high prices are gathering momentum. A week ago 52 rate shoppers were arrested after they wrecked a market at Aflou and trampled on the food.

Last October Algeria was rocked by riots, sparked by economic hardships, high prices and shortages. Analysts say there could be a repetition unless discontent is rapidly defused.

In an unusually frank diagnosis of Algeria's economic problems, APS said the weakness of the dinar was one of the main reasons for the wave of popular protests.

"The dinar is at all well. It is sick, seriously sick," APS said. "This is obvious from the crazy surge in prices and exchange rates on the black market."

The situation was aggravated by rising unemployment, galloping population growth and the development of chronic shortages.

Amnesty hits at Peking for 'execution of 30,000'

AMNESTY International says China has executed up to 30,000 people in a drive against crime in recent years, raising fears some defendants may not receive a fair trial, Reuters reports.

"Many thousands of people have been executed in China over the past decade - unofficial sources have put the number as high as 30,000 in the five years after a nationwide anti-crime campaign began in 1983," the London-based human rights organisation says in a report released today.

China's desire to impose punishment quickly meant the legal process had been speeded up to allow prisoners to be executed within a few days of arrest.

"There is a lack of safeguards for fair trial. Access to lawyers is limited and in practice few people are able to exercise effectively their right to defence."

In a 268-page report calling on governments to abolish the death penalty, Amnesty attacked Japan and Indonesia for holding condemned prisoners on death row for decades before executing or acquitting them.

Amnesty cited a Japanese prisoner, Sadamichi Hirasawa, sentenced to death in 1950, who died of old age in 1987 aged 95. "He had spent a large part of his existence not knowing whether he would be executed or whether his appeals for retrial would be granted."

In the early 1980s, three Japanese prisoners were acquitted 30 years after being sentenced to death.

The report cited political prisoners in Indonesia executed nearly 20 years after being arrested and two men executed for murder in 1987 after 25 years under sentence of death.

Use of the death penalty had increased sharply in Indonesia in recent years, Amnesty said.

China rejects attempt to mount inquiry in Tibet

CHINA yesterday rejected the suggestion that an international fact-finding mission investigate the situation in Tibet, dismissing the proposal as "interference" in its internal affairs, AP reports from Peking.

The Foreign Ministry said in a statement that China resolutely opposed any attempt to send a "so-called inquiry mission" to the isolated southwestern Chinese region.

Tibet's capital of Lhasa has been under martial law since March 7 following clashes between police and pro-independence rioters.

The Dalai Lama, the exiled Tibetan spiritual leader, raised the idea of a mission to Tibet in a meeting in Paris last week with Danielle Mitterrand, wife of French President François

Mitterrand.

"We cannot but express our regret that a personage having a high status from a country friendly to China has gone to the length of receiving the Dalai Lama and made remarks which constitute an interference in China's internal affairs," the ministry said.

Mrs Mitterrand met the Dalai Lama in her capacity as head of a French humanitarian group.

China recognises the Dalai Lama's spiritual role in Tibetan Buddhism but stresses that he should not be allowed to carry out political activities concerning Tibet in other countries. China has agreed to hold talks with the Dalai Lama about the future of the region, but only if he gives up the concept of Tibetan independence.

Migrant issue strains Manila's uneasy peace with Malaysia

Richard Gourlay, recently in Sabah, looks at the political impasse over the status of Filipino workers and refugees

JAMALUL ALAM is a Filipino singer who sneaked into the rich east Malaysian state of Sabah three years ago. He has no job but bought work papers for about \$20 and lives in a refugee camp. After years during which Malaysia tolerated Filipino migrants, Alam and thousands like him are feeling increasingly unwelcome.

According to officials in Manila and refugees in Sabah, Malaysian authorities are stepping up deportations of Filipinos. The move is only partly explained by the 60 per cent increase last year in Indonesian boat people landing in peninsular Malaysia, an increase which triggered alarm bells in Kuala Lumpur.

Relations between Malaysia and the Philippines are the most strained between any Association of South East Asian Nations (Asean) countries. They are already arguing over fishing rights and territorial claims to Sabah and the tiny Spratly Islands in the South China Sea. The migrant and refugee problem is an irritant over which Malaysia has direct control.

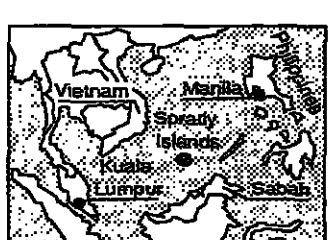
For years Asia's equivalent of Mexican wetbacks, who swim the Rio Grande to work illegally in the US, have been the seafaring Moslems of the southern Philippines. They cross unpatrolled water borders to work in timberyards and rubber estates in Sabah.

Any number between 150,000 and 300,000 Filipinos are in Sabah at any one time, according to both capitals, but Malaysia recognises as "political refugees" only 70,000 who fled the brutal 1972-76 civil war with Christian dominated Manila.

Taking the official figures, it means there are half as many Filipino refugees in Sabah as Indonesian refugees through-out south east Asia and Hong Kong, and over five times more Filipino than Indonesian refugees in Malaysia.

The problem of the Filipino refugees in Sabah is now acute, says a Malaysian diplomat versed in refugee issues.

With the 17-year long Moslem insurgency running out of steam in the Philippines and the refugees readily admitting they stay in Sabah because it is richer and more peaceful



Filipino workers have engaged officials in Kuala Lumpur by crossing water borders to work in the timberyards and rubber estates of the rich east Malaysian state of Sabah

than home, the claim to refugee status has worn thin.

But however much Philippine officials accept they are economic "migrants" and no longer "refugees," they are angered by Malaysia's actions.

"All we are asking for is some time to solve the problem by agreement," a Philippine Foreign Affairs official said. Instead, following the collapse



of a half-hearted amnesty programme last year, Malaysian police and immigration officials have stepped up their expulsions, he said. "We are being victimised."

Sabah authorities deny the claim, say a task force has been set up to study the problem and that the law is simply being applied. Philippine officials can only estimate the

number of deportees at thousands because of the remoteness of the islands where they are dropped.

Last April, Malaysia arrested 47 fishermen near the Spratly Islands. They were released four months later after President Corason Aquino interceded with a call to Dr Mahatir, the Malaysian Prime Minister.

Malaysian police action against Filipinos in Sabah increased not long afterwards, officials in Manila say. Relations hit a low when a Philippine naval officer, possibly angling for an increased military budget, claimed Malaysian maps showed Kuala Lumpur had annexed the equally tiny Turtle Islands off the Sabah coast. By the time the officer realised the line on the map marked a shipping route, the Philippine Senate foreign relations committee chairman had called for a downgrading of diplomatic relations. Kuala Lumpur was again understandably offended.

Then last month Mr Fidel Ramos, the Philippine Secretary of Defence, claimed obliquely that Malaysia's \$40m arms order last year from the UK might mask aggressive intentions towards the Philippines. Malaysian officials strongly reject the insinuation, saying the sum will be spent over 10 years to modernise its armed forces.

The greatest irritant however remains the Philippine sovereignty claim over Sabah. The claim dates back to when the Sultanate of Sulu, now part of the Philippines, leased in perpetuity the north east tip of Borneo to a British company that received a charter from William Gladstone, the Liberal Prime Minister.

Mrs Aquino has said she wants to drop the claim and with it the hostilities that are keeping the two countries apart, but she has not pressed the Senate to pass the necessary legislation.

To Jamalul Alam in the refugee camp in Kinarat, the Spratly and Turtles are just little islands and the Sabah claim is a hazy piece of history.

He admits Filipinos in Sabah often starve, because they are poor and unemployed, but fails to understand how the rubber estates and timberyards would survive without cheap Filipino labour. Like the refugees he lives with, he is fed up with being caught in a tug-of-war between distant politicians who will not resolve issues that have an immediate effect on his life.

The crackdown followed a clash after Friday prayers on April 7 between Moslem extremists and police in the oasis town of Fayoum. Among those arrested was the blind theologian Sheikh Omar Abdel-Sabhan, considered by the outlawed Islamic Jihad organisation as its spiritual leader.

The two ferries operating between the ports of Jounieh in Lebanon and Larnaca in Cyprus have been the only lifeline for the beleaguered Christian population.

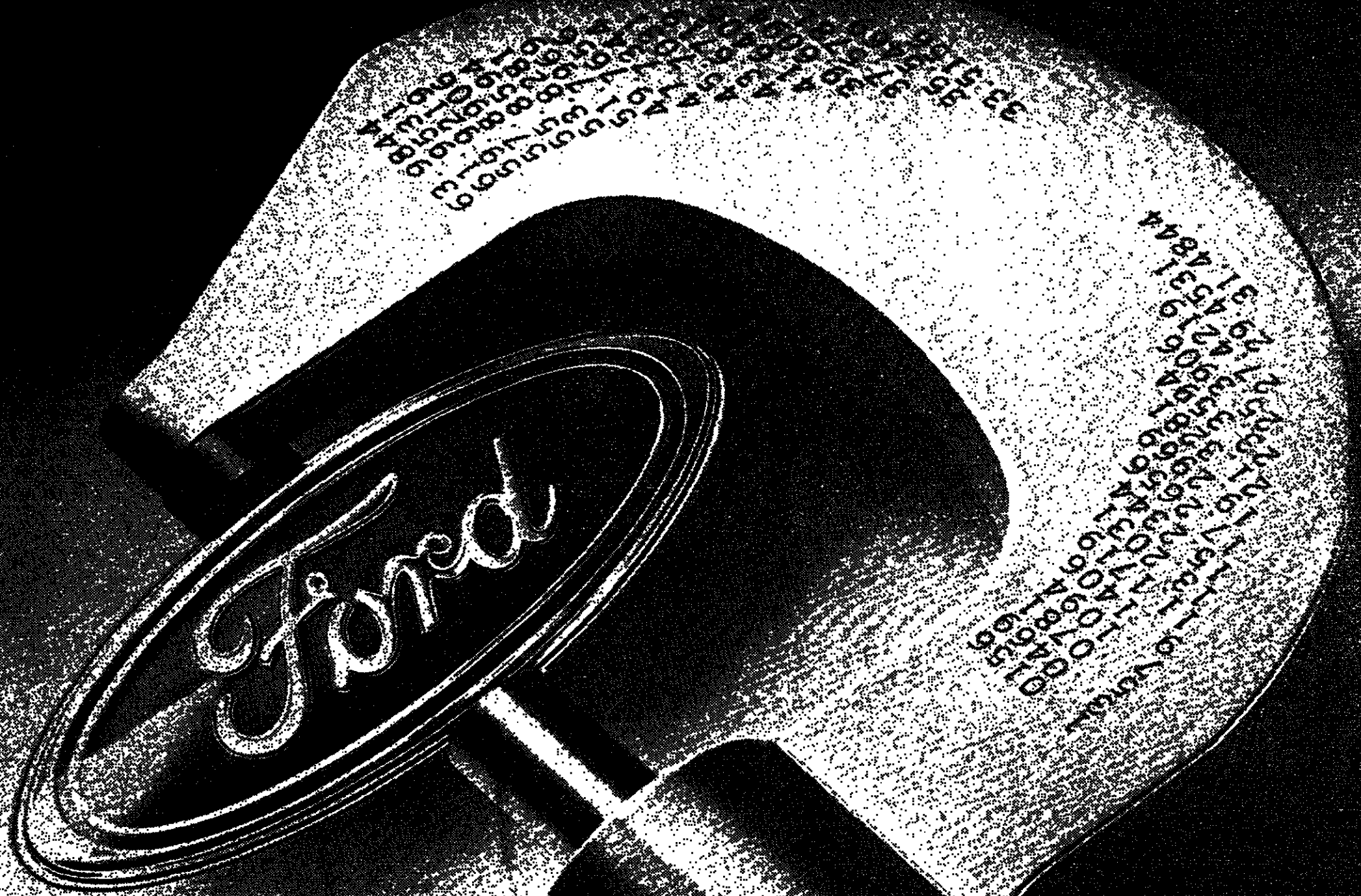
Egyptian Interior Minister Zaki Badr was quoted yesterday as saying 1,500 alleged Moslem fundamentalists were arrested over the past two weeks, Reuters reports from Cairo.

These extremist groups are fueling religious strife in the country and they must be met with force. We will meet violence with violence," Mr Badr was quoted as saying.

The sources said the arrests were made under emergency laws in force since 1981 which empower police to detain suspects indefinitely without any formal charges.

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AMERICAN NEWS

Bush proclaims good start on broad front

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush yesterday claimed to have made "a good start" in his first three months in office, as he began a four-day tour across the US before the traditional landmark of the first 100 days in office, which will fall on Saturday.

While deliberately avoiding any reference to 100 days, Mr Bush and his advisers are assiduously presenting a detailed defence of his record, in face of often sceptical and lukewarm press treatment of his performance.

Addressing newspaper publishers in Chicago, the president said that, after three months, he was "very pleased with the progress we've made in that short time."

Looking ahead, he referred to "the completion of the defence and foreign policy reviews in late May, draft legislation for a new Clean Air Act, a new strategy to curb the increased use of lethal weapons by drug dealers and other criminals, and new initiatives to combat the problem of homelessness in America."

He presented himself as "a

practical man; I like what's real. I'm not much for the airy and abstract. I like what works."

Looking over his first three months in office, Mr Bush mentioned the recent bipartisan budget agreement as "a strong first step towards dealing with the deficit problem," the accord reached with Congress on Central America, action to stabilise the troubled savings and loan system, and proposals for ethics reform in government service, and a renewed anti-drug effort.

For the long term, Mr Bush said his administration had made proposals for education reform, for assisting child care through tax credits, and for the environment.

The administration had set its course on strengthening the strategy on Third World debt. "Now I want to see success on a case-by-case basis. I want to see an agreement with Mexico, with Venezuela, and with other countries as well."

On foreign policy, the president said decisions on arms control would be "forthcoming soon." He noted that he had met the leaders of 34 countries.

Peru raises fuel prices

By Veronica Baruffati in Lima

PETROL and gas prices in Peru were increased 15 per cent at the weekend, only 24 days after the last rise. The price of kerosene for kitchen fuel was increased by 5 per cent.

These measures are expected to provoke another round of increases in fares and food prices.

Since the beginning of the year, petrol prices have increased 137 per cent. It now costs the equivalent of almost \$1.5 a gallon.

Widespread popular indignation is being expressed as devaluations and price increases chase each other in an uncontrollable spiral. Mr Armando Villanueva del

Campo, Prime Minister and Interior Minister, said the fuel price increases "were to allow Petroper (the state oil company) to restore its export capacity. This will benefit not only the country, but also the rest of the world."

He made these declarations after a 3½-hour cabinet meeting in which the state oil company and the government in Congress last week after what was seen as a poor effort by Mr Villanueva in Congress to explain the government's plans to resuscitate the economy.

The IMF mission which has been visiting Central Bank and Ministry of the Economy officials returns to Washington this week.

GAO head attacks pact on budget as unreal

By Peter Riddell

THE BUDGET agreement reached 10 days ago between President George Bush and Congressional leaders is coming under increasing criticism for having included non-existent or purely temporary expenditure savings and for excluding major programmes.

Doubts have been expressed especially by Mr Charles Bowsher, Comptroller-General, who heads the General Accounting Office, the investigatory arm of Congress. He has argued: "The rosy projections are not real numbers any more. The situation with the deficit is much worse than is being portrayed."

Instead of a \$100m budget deficit in fiscal 1990, which the agreement is intended to achieve, Mr Bowsher has said it would be far more accurate to expect a \$263m deficit. The difference would mainly reflect the huge surpluses building up in social security and other trust funds. There has also been criticism of the exclusion from the budget of the refinancing operation to rescue troubled savings and loans institutions.

Arguing for a fundamental reform of the budget process, Mr Bowsher has claimed that everyone knows the numbers are fudged, and that they never reflect reality, because revenue is exaggerated and spending is underestimated.

Even within current budgetary definitions, most independent analysts have criticised the budget agreement for failing to tackle the fundamental problem of the deficit and for relying on accounting gimmicks.

Among the main flaws seen in the agreement are an \$850m advancement of farm spending from next year to this, assuming that \$500m worth of food stamps have been lost and will never be redeemed, saving \$20m by moving the Post Office off the main budget, and producing \$500m from better enforcement of tax laws.

These doubts are unlikely to make much practical difference since Congressional leaders and the administration want to make the deal appear to work. The agreement has already been approved by the Senate Budget Committee.

Mexican teachers' leader axed by Salinas

By Richard Johns in Mexico City

MR CARLOS JONGTUD resigned his position as head of the Mexican teachers' union on Sunday night, after a meeting with President Carlos Salinas de Gortari.

His resignation, however, is unlikely to bring an early end to the strike by dissident members of the National Union of Education Workers (SNTE).

The resignation is a recognition of Mr Jongtut's failure to win acceptance by a sizeable minority of the SNTE of a pay and benefits package awarded to the teachers by the Government this month.

His removal and the holding of democratic elections for the top SNTE positions was one demand of the union's rebellious faction, the National Co-ordinator of Education Workers (CNTE), led by Mr Teodoro Falcón. However, resignation by the "leader for life and

spiritual guide" of the SNTE, who seized control of the union at a coup in 1972, is unlikely to modify the claim of the dissidents for a 100 per cent increase in salaries.

Following Mr Jongtut's resignation, a spokesman for the CNTE said that the strikers would not obey an order by the Federal Arbitration and Conciliation Board to return to work yesterday.

The dissidents would also go ahead with a plan to march through the capital yesterday, he added. Mexico City bus drivers are supporting them with a day-long stoppage.

By law, they can be sacked if they absent themselves from work for more than four days. The strike began on April 17.

Even with the new salary rise, teachers earn only the equivalent of an average \$150 a month. The Government is insistent that it cannot improve the awards.

Mr Jongtut's resignation will not lessen the challenge to the Salinas administration's economic stabilisation and anti-inflation policy.

It was widely assumed that Mr Salinas would want to get rid of the teachers' leader as soon as the new administration began last December. Mr Jongtut has been accused by his opponents of corruption, selling union jobs and mobster tactics, including arranging the killing of those who defied him.

Moreover, in the presidential election, which Mr Salinas won only by an unprecedented narrow margin (according to the official count), Mr Jongtut, who

is a senator for San Luis Potosí, failed to deliver the millions of votes promised by him for candidates of the ruling Institutional Revolutionary Party (PRI).

Mr Salinas's reluctance to sever ties with the teachers' union is seen as a concession that the teachers could be kept in line by a traditional chieftain.

The extent of the stoppage remains a matter of dispute between the rebels and the authorities. Even so, it is clear that the strongest CNTE support is in Mexico City, where an estimated 100,000 people were reported yesterday to be without teachers, and the states of Oaxaca and Chiapas.

The SNTE, with more than 2m members, is the largest union in Latin America, and very much more powerful than the corporatist unions controlled by the PRI. Its members include two senators, 18 federal deputies, 41 state assembly members and some 300 mayors.

Canada poised to tackle federal deficit

By David Owen in Toronto

ON THURSDAY afternoon in Ottawa, Mr Michael Wilson, Canadian Finance Minister, will deliver his fifth budget address.

It will be his most closely scrutinised package to date. High interest rates, political expediency and slower economic growth have contrived to convince Mr Brian Mulroney's re-elected government that now is the time to do something about Canada's federal budget deficit.

By the end of the 1988-89 fiscal year - if the government has not exceeded its projected budget deficit of C\$28.9bn (\$14.12bn) - Ottawa's accumulated debt will have swollen to C\$32.1bn, or more than half of the 1987-88 total. The doubling in the space of five years (see table). At the end of fiscal 1991, accumulated debt totalled C\$85.7bn.

The real position may be worse. The Finance Department has proved drastically over-optimistic in its year-on-year projections of short-term interest rates. The rate paid on 90-

day Treasury bills at the end of last week was 12.36 per cent. This compares with a Department forecast for 1989 of 7.5 per cent.

| Canada's budget | | | |
|-----------------|----------------|-------------------------|-------------|
| Year | Deficit (\$bn) | Accumulated Debt (\$bn) | Debt (\$bn) |
| 1981-2 | 14.3 | 100.5 | |
| 1982-3 | 27.8 | 128.4 | |
| 1983-4 | 32.4 | 180.8 | |
| 1984-5 | 38 | 218.8 | |
| 1985-6 | 34.4 | 233.5 | |
| 1986-7 | 30.5 | 264.1 | |
| 1987-8 | 28.1 | 292.2 | |
| 1988-9 | 28.9 | 321.1 | |

Source: Canadian Government

Interest rates being higher than expected increase the cost of servicing Ottawa's accumulated debt, which is forecast to amount to C\$32.1bn in 1988-89. It revenues had to rise to a similar degree, the annual deficit will exceed original projections.

Even if the C\$28.9bn 1988-89 target is hit, Mr Wilson will be unable to boast that his gov-

ernment has succeeded in reducing the deficit "in each and every year." Growth being faster than anticipated growth and tax revenues higher than anticipated helped to produce a 1987-88 deficit of C\$28.1bn - C\$1.2bn below expectations.

Indeed, rapid growth in personal tax takings have proved a great boon to Mr Mulroney's government since it was first elected in 1984. The government expects to collect more than C\$45bn in income taxes from individuals in the year ended March 31, compared with C\$29.3bn from that source in 1984-85.

In the light of such figures, the need to make meaningful inroads in the deficit in this first budget of the Conservative government's second term is generally recognised. Large question marks remain, however, over the specific measures that Mr Wilson will choose to adopt.

The spending cuts will be broadly based. Few departments - with the possible exception of Environment -

can expect to escape the knife altogether. Tax increases will form part of the overall package, although the government's consciousness of the need not to undermine Canada's international competitiveness may reduce its room for manoeuvre, particularly in the corporate sector.

In terms of cuts, among the areas which appear most vulnerable are federal transfer payments to the provinces, unemployment insurance contributions, and foreign aid and defence spending.

All 10 provinces receive transfer payments for financing key programmes such as health, education and welfare. The seven poorest also receive equalisation grants. Such payments amounted to C\$32.5bn, or some 35 per cent of overall federal spending, in fiscal 1988-89.

Cuts in the C\$11.1bn defence budget are also anticipated. This could jeopardise Canada's plan to buy a C\$6bn fleet of nuclear-powered submarines from Britain or France.

Guyana 'will stick to austerity'

By Caputo James in Kingston

THE Guyana government says it will not abandon a programme of economic austerity, although it may have to accept a wave of strikes in key sectors, and isolated cases of arson and bombings.

President Desmond Hoyte stated that the strikes and protests were weakening the economy, but that the country needed the economic programme and a stand-by credit agreement it is hoping to sign with the International Monetary Fund in a few weeks.

The economic measures included a 70 per cent currency devaluation, which was followed by price increases of as much as 300 per cent.

The bauxite mining and sugar industries, pillars of the troubled economy, have been hit by strikes, which are costing the economy about \$1m per day, according to officials.

The government said cane fields had been burnt by arsonists. The police report two bomb explosions in a week.

There is no indication of an early end to the opposition to the government's measures. Independent trade unions said the strikes will continue until "dialogue is established" with the government.

Austral slides further as inflation fear rises

THE ARGENTINE currency yesterday continued its recent slide against the dollar, reaching 87 australs to \$1 in some exchange houses, Gary Mead writes from Buenos Aires. Demand for US currency was

fierce when markets opened, as dealers sought an escape from imminent hyperinflation by buying dollars. At the Friday close, the austral had broken all records by reaching 72.31. The Government's economic

team adjusted exchange rates on April 14 so as to calm currency speculation and lift the austral. Mr Juan Carlos Pugliese, Economy Minister, then announced a single free rate for the currency, with a "refer-

ence rate" (then fixed at 36:1). The reference rate is being used as a duty on all exports. Exporters should receive that rate for all foreign currency earnings, via the central bank. But many earnings elude it.

There is no indication of an early end to the opposition to the government's measures. Independent trade unions said the strikes will continue until "dialogue is established" with the government.

WORLD TRADE NEWS

HK venture to market Abacus booking system

By Michael Murray in Hong Kong

HONG KONG'S Cathay Pacific Airways and Cable and Wireless (HK) are to form a joint venture company marketing the Abacus computerised reservation system in the territory.

The move is intended to lead to the eventual replacement of the separate Cetus and Taxis Plus systems currently operated by the two partners.

Abacus is being developed specially for the Asian market, with the active participation of Cathay, Taiwan's China Airline, Malaysia's AirAsia, Philippine Airlines and Singapore Airlines.

Airlines will be introduced in phases from the middle of this year.

Abacus will be linked to Pars, the US-based system owned by Northwest Airlines and Trans World Airlines, and to the European Amadeus system.

The three will between them create the world's largest computerised reservation system, combining bookings for airlines, hotels and car rentals.

In addition, Japan's All Nippon Airways and Abacus

recently signed a memorandum of understanding to carry out a feasibility study on delivering the system to the Japanese market.

The Hong Kong joint venture marketing company involving Cathay and Cable and Wireless will start operations by August 1.

A similar marketing company was launched last month in Singapore and others will soon be set up in other countries within Asia, starting with Malaysia, the Philippines and Taiwan.

Brazil and China to sell satellite services

By Ivo Dawson in Rio de Janeiro

BRAZIL and China are set to expand their co-operation in satellite ventures with a new joint project aimed at selling technology and services to Third World customers.

Last July during a state visit to Peking, President José Sarney signed a \$150m (\$37.7m) deal under which the two countries would build up to five low-orbit remote sensing units, using Chinese Long March 2 launchers and Brazilian ground stations.

It has now emerged in Brazil that the project is to be expanded into a commercial collaboration between Avibras, a São Paulo private sector arms and technology company, and Great Wall Industry Corporation, controlled by the Chinese Aviation Ministry.

After lengthy secret talks, the two companies have agreed to set up a London-based trading company, International Satellite Communication (Intelcom), to offer space equipment to other developing countries.

The project, still at the seed capital phase, was planned to be announced at the Paris air fair in June, but has been leaked in the Brazilian press. While remaining strictly civil in objectives, the scheme aims to extend co-operation beyond the meteorological and photographic satellites planned in last year's deal to communications applications.

China has successfully put into orbit several satellites for its own use using the Long March series of rocket-launchers. However, it has failed to break into foreign sales.

Avibras has grown rapidly with sales of its military Astros-2 saturation non-guided ground-to-ground rockets. Iraqi orders during the Gulf War brought it sales of \$22m in 1987 out of a total of \$900m for the Astros system. But since the end of the war, the company's fortunes have slumped as Iraq has delayed payments.

An independent analyst said the proposals would offer Brazil a useful transfer of skills and a means of shelving its own \$100m satellite programme which has been delayed by technical and funding problems.

India gears itself up to step into the export shoes of the Asian tigers

R.C. Murthy looks at the long-term strategy of the EximBank

INDIA'S Export-Import Bank is helping prepare the country to step into the manufacturing export shoes of the newly-industrialised countries by the turn of the century.

The Eximbank has committed \$100m (\$285m) in its seven-year existence to production and marketing to promote exports of some \$400m. A \$10m World Bank line of credit handled by the bank is expected to generate \$25m worth of business in the next five years.

The Eximbank is optimistic about a breakthrough in exports of manufactures to the European Community and North America in the next few years. India's trade gap with the EC alone accounts for more than half its \$6.41bn overall trade deficit in the year to March 1988. The deficit widened further to \$7.4bn last year.

Optimism at the Eximbank contrasts with the gloom five years ago that greeted a study at the instance of the World Bank which found none of the country's engineering products could be exported.

The sea-change in the outlook at the Eximbank follows pressure on the country to export more, a more conducive international environment, and policy measures that have had far-reaching impact.

India's export rate was introduced that kept the external value of the rupee low, neutralising domestic inflation. And the rupee was devalued by 12 per cent against the US dollar last year.

Profits made from exports are now tax deductible, thereby making production for export more attractive than for the domestic market.

Further, there has been a sharp increase in trade in manufactures triggered partly by investment-led growth in the industrialised countries.

As a result, the share of manufactures in India's total exports has jumped to 70 per cent from 60 per cent five years ago. Mr Kalyan Banerji, Eximbank chairman, says this

share will rise to 85 per cent in the next five years. But there is still a long haul before India breaks even in external trade.

Meanwhile, India's debt service burden has risen steadily to around 24 per cent of exports of both merchandise and invisibles and is expected to peak in the next two years as repayments on a \$3.5bn loan to the International Monetary Fund fall due.

New Delhi has for the first time set up a working group to chart out a framework for action on industrial exports. Mr Banerji says by the year 2001 India, along with China, will enter the market vacated by South Korea and Taiwan, which are graduating to high value-added items.

At the same time, the industrialised countries are moving out of low-technology areas, such as components manufacture, machine building and steel-based industries, offering opportunities for India there too.

Moreover, the Eximbank has devised a three-pronged strategy to boost exports to developing countries, which in the long run are expected to be the main customers for Indian capital goods.

First, an attempt will be made to promote exports through "trade diversion" - sourcing Indian imports from a country that wants to have Indian products but is unable to buy. This is designed

to generate purchasing power in those countries for Indian exports.

Second, India plans to offer technical credits to debt-ridden Latin American countries, which are strapped for hard currency for trade. In May, for example, the Eximbank and the Mexican Government are extending to one another a \$20m reciprocal credit line to facilitate bilateral trade.

Third, India is to enter the London forlorn market to boost exports to Africa, where many countries find Indian products cheaper than elsewhere and of acceptable technology but are unable to buy at present. The Eximbank hopes this year to promote \$50m in exports using this instrument and double that in two years.

By the turn of the century, India's manufacturing exports are expected to increase to \$10bn a year from the present \$10bn.

However, Mr Banerji warns that the next two years are crucial for Indian exporters. The foreign exchange crunch should not halt the liberalisation process and the country should not revert to a protective trade environment, he says.

Already, the exporter is at a disadvantage with several regulations, including restrictions on foreign travel. These regulations will have to be eased if he is to compete effectively overseas.

Property Alliance wanted Mrs Hills to target them for the special trade treatment.

He said the Property Alliance published a similar list of 10 nations four years ago but since then one country, Singapore, has been removed and three added - China, Saudi Arabia and India.

Mr Smith said Singapore's moves to end piracy was a major achievement but "we must finish the task in the Pacific rim."

Mr Smith added: "We must now turn to the task of the Middle East, chiefly Saudi Arabia and the Gulf Co-operation Council."

Hungarians turn to West to beat waiting list for Ladas

By Leslie Collitt in Berlin

HUNGARIANS who want to get round the long waiting list for a Soviet-built Lada can now buy the car without delay - from the West.

A Hungarian company in Győr has begun importing Ladas from West Germany and Austria and selling them for hard currency to eager Hungarian buyers. The arrangement solves Comecon's most pressing problem, the unwillingness of members to sell desirable goods to each other because of the lack of a convertible currency.

The new Lada Samara and Lada 1300 cars are being supplied by ATM Export-Import in West Germany and Karl Grotz in Austria. The Samara costs Hungarians DM9,650 (\$3,030) plus 10 per cent customs duty, compared with a price of DM11,700 in West Germany.

The Hungarian importer, however, was unable to buy the cars directly from the Soviet Union for hard currency as this was not provided for under Soviet trade regulations.

More than 50 per cent of the cars Hungarians bought privately in the West this year were Ladas and Czechoslovak-made Skodas. They were chosen over Western cars solely because of their low price and cost of repair in Hungary. Customs duties were lowered on privately-imported cars this year to ease pressure on the waiting list for cars which rose to more than 300,000.

Four times as many cars were bought in the West in the first two months of the year compared with 1988.

The Hungarians scored something of a coup last month by arranging to import

15,000 East German Wartburg cars with new Volkswagen Polo engines produced under licence. The old engines powering the Wartburg and Trabant cars use a petrol-oil mixture and are a prime source of pollution in Eastern Europe.

Few East Germans, however, are able to buy a Wartburg car with the new engine even after waiting an average of 12 years. The VW-engined Wartburgs may have been obtained by providing more Hungarian currency to East Germany so that its citizens may take holidays in Hungary which is the most popular holiday destination.

Hungary has long sought to assemble Western cars and last year it signed a letter of intent with Daewoo of South Korea under which Hungary would supply car components and assemble Daewoo cars.

Car manufacturers buy less than 2 per cent from abroad, according to the Japan office of the US Semiconductor Industry Association. The Intel EPROM chips will be used to control ignition timing, petrol injection and other aspects of electronic engine control, according to Nissan.

Nissan began importing 16-bit chips for its Leopard model from Intel last year.

Nissan to import Y100m of Intel chips

NISSAN Motor will import semiconductor chips valued at about Y100m (\$440,000) from Intel Corporation of the US in the fiscal year which began this month, Nissan said yesterday. AP-DJ reports from Tokyo.

Although the size of the purchase remains modest, the imports follow increasing demands by Washington that Japan increase its imports of foreign semiconductors to

avoid being named as an unfair trader under the strengthened US trade law.

The US semiconductor industry has been especially critical of the Japanese car industry, which has lagged behind Japan's electronics industries in increasing its foreign chip sourcing.

While the top five electronics manufacturers buy about 18 per cent of their semiconductors from foreign compa-

nies, car manufacturers buy less than 2 per cent from abroad, according to the Japan office of the US Semiconductor Industry Association.

The Intel EPROM chips will be used to control ignition timing, petrol injection and other aspects of electronic engine control, according to Nissan.

Nissan began importing 16-bit chips for its Leopard model from Intel last year.

AMERICAN copyright holders have asked Mrs Carla Hills, the US Trade Representative, to target 12 nations as major pirates of films, music, books and computer software if the 12 do not move promptly to end the practices, Reuters reports from Washington.

They said piracy by the 12 was costing US industry \$1.3bn (\$700m) in annual sales and that another \$85m was lost because their markets were closed to legitimate US products.

A recording industry official said much of the piracy was government-condoned.

The International Intellec-

tual Property Alliance cited these countries and the value of losses: China, \$418m; Saudi Arabia, \$189m; South Korea, \$168m; India, \$158m; the Philippines, \$117m; Taiwan, \$90m; Indonesia, \$80m; Brazil, \$68m; Egypt, \$68m; Thailand, \$61m; Nigeria, \$38m; and Malaysia, \$32m.

Under the 1988 Trade Act, Mrs Hills has until May 30 to list countries that consistently practise unfair trade and then to open talks with them to end the practices, under a threat of trade retaliation.

Mr Eric Smith, the Property Alliance's general counsel, said talks were being held with all

the offending nations except Nigeria, which recently passed a copyright law.

Other governments also have copyright protection laws, trade sources say, but have not enforced them.

Indonesia recently passed a copyright law but textbook and software piracy remained serious problems.

Mr Jay Berman, president of the Recording Industry Association of America, said that "in most cases, they [pirating actions] go on with the government condoning it".

Mr Smith said if the 12 did not take positive steps to end the piracy by next month the

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LEGAL COLUMN

Buyer claims on mortgage survey

SMITH v ERIC S. BUSH; HARRIS AND ANOTHER v WYRE FOREST DISTRICT COUNCIL AND ANOTHER. House of Lords (Lord Keith of Kinkel, Lord Brandon of Oakbrook, Lord Templeman, Lord Griffiths and Lord Jauncey of Tullichettle): April 20 1989.

A SURVEYOR who values a house for mortgage purposes knowing the buyers have paid for the valuation and will probably rely on his report, owes a duty to the buyers as well as to the mortgagee to exercise reasonable skill and care in inspecting the property; and in such circumstances notice of disclaimer of liability for negligence is unreasonable and ineffective to protect the surveyor, in that he must have realised the buyers would put their trust in his expertise.

The House of Lords so held when dismissing an appeal by Eric S. Bush, surveyors, from a court of appeal decision that they were liable to the respondent mortgagee, Mrs A. P. Smith, in respect of a negligent house survey carried out by them on the instructions of mortgagee building society; and when allowing an appeal by mortgagees, Mr and Mrs A. P. Harris, from a decision that they were not entitled to damages as against the mortgagee local authority, in respect of a negligent house survey carried out by its employee, Section 2 of the Unfair Contract Terms Act 1977 provides: "(1) A person cannot by reference to any contract term or to a notice... (2) ... exclude... liability for negligence except in so far as the term or notice satisfies the requirement of reasonableness."

LORD TEMPLEMAN said that in *Harris v Wyre Forest* Mr and Mrs Harris signed a council mortgage application form containing a declaration that "we understand that... no responsibility is implied" for the valuation report.

The council instructed its own employee to carry out the valuation. It offered to advance £3,505 to Mr and Mrs Harris. They assumed from the offer that the surveyor had not found serious defects. They therefore accepted the offer and bought the house for £9,000. Three years later they found that the house was defective. The damages suffered were agreed at £12,000. The trial judge held that the

surveyor did not exercise reasonable skill and care and that the council, as his employer, was vicariously liable. He ordered the council to pay £12,000. The Court of Appeal allowed the council's appeal on the ground that, by the notice in the application form signed by Mr and Mrs Harris, the council had avoided incurring liability. Mr and Mrs Harris now appealed.

In *Smith v Bush* Mrs Smith applied for a building society mortgage. She paid the society an inspection fee of £26.59 and signed an application form declaring that "I understand that neither the society nor the surveyor... will give any assurance to me that the... report and mortgage valuation will be accurate."

The society instructed Eric S. Bush to carry out the valuation. Their report stated "No essential repairs are required." A copy of the report was supplied to Mrs Smith. In reliance on the report she accepted £3,500 from the society, and bought the house for £14,000.

Eighteen months later the chimneys collapsed and fell through the roof. Two chimney breasts had been removed. The surveyor had observed their removal, but had not checked to see that the chimneys above were adequately supported.

The trial judge held that the surveyor had not exercised reasonable skill and care and that his firm was liable to Mrs Smith for £4,379 damages. He ignored the notice disclaiming liability in the application form. The Court of Appeal held that the disclaimer was not fair and reasonable and was ineffective under the Unfair Contract Terms Act 1977. They affirmed the damages. The firm now appealed.

The first question was whether the valuers were liable to the purchasers in negligence. The common law imposed on a person who contracted to carry out an operation an obligation to exercise reasonable skill and care.

It also imposed an obligation to exercise reasonable skill and care where there was no contract. Where the relationship between the operator and a person who suffered damage was sufficiently proximate and where the operator should have foreseen that his carelessness might cause the damage, he was liable in negligence.

The 1977 Act prohibited the exclusion or restriction of liability for negligence resulting

in loss or damage, unless the term or notice of exclusion satisfied "the requirement of reasonableness." The two appeals were based on allegations of negligence in circumstances which were akin to contract. Mr and Mrs Harris paid £22 to the council for a valuation. The council employed and therefore paid the valuer for whose services it was vicariously liable. Mrs Smith paid £38.89 to the building society for a report and valuation, for which the society paid the surveyor. In each case the valuer knew or ought to have known that the purchaser would only contract to purchase the house if the valuation was satisfactory, and might suffer damage if he did not exercise reasonable skill and care.

In the absence of disclaimer of liability, the valuer who valued a house for mortgage purposes knowing that the mortgagees would rely and the mortgagee would probably rely on the valuation, and knowing that the mortgagee had in effect paid for the valuation, was under a duty to exercise reasonable skill and care.

That duty was owed to the parties to the mortgage for which the valuation was made. The second question was whether the disclaimer of liability were notices falling within the ambit of the 1977 Act. The Court of Appeal held that the Act did not apply to "negligent misstatements" where a disclaimer had prevented a duty of care from coming into existence.

That confused the valuer's report with the work which he carried out to make his report. He owed a duty to exercise reasonable skill and care in his inspection and valuation. If he had been careful in his work, he would not have made a "negligent misstatement" in the report.

The disclaimer of liability constituted notices which fell within the 1977 Act and must satisfy the requirement of reasonableness. The third question was whether it was fair and reasonable for the valuers to rely on the notices. A valuer was a professional offering his services for reward. He was paid for those services. He knew that 90 per cent of purchasers relied on a mortgage valuation, and did not commission their own survey.

A purchaser would know that mortgagees such as building societies and the council were trustworthy, and that

they appointed careful and competent valuers. He would trust the professional so appointed. The valuer knew full well that failure on his part to exercise reasonable skill and care might be disastrous to the purchaser.

It was unfair and unreasonable for a valuer to rely on an exclusion clause directed against a purchaser in the circumstances of the present appeals. It was open to Parliament to provide that members of professions providing services for reward should be entitled to exclude or limit their liability for failure to exercise reasonable skill and care.

Without such provision, valuers were not entitled to rely on a general exclusion of the common law duty of care owed to house purchasers to exercise reasonable skill and care.

The public were exhorted to purchase their homes and could not find houses to rent. A typical London suburban house, constructed in the 1930's for less than £1,000, was now bought for more than £150,000 with money borrowed largely at high interest rates.

It was thus not fair and reasonable for building societies and valuers to agree to impose on purchasers the risk of loss arising as a result of the valuer's incompetence or carelessness.

His Lordship agreed with Lord Griffiths's warning that different considerations might apply where homes were not concerned. The appeal was allowed in *Harris*. In *Smith* the appeal was dismissed.

LORD GRIFFITHS concurring, reserved his position in respect of valuation of quite different types of property for mortgage purposes, such as industrial property, large blocks of flats or very expensive houses.

Lord Jauncey gave a concurring judgment. Lord Keith and Lord Brandon agreed with all three judgments.

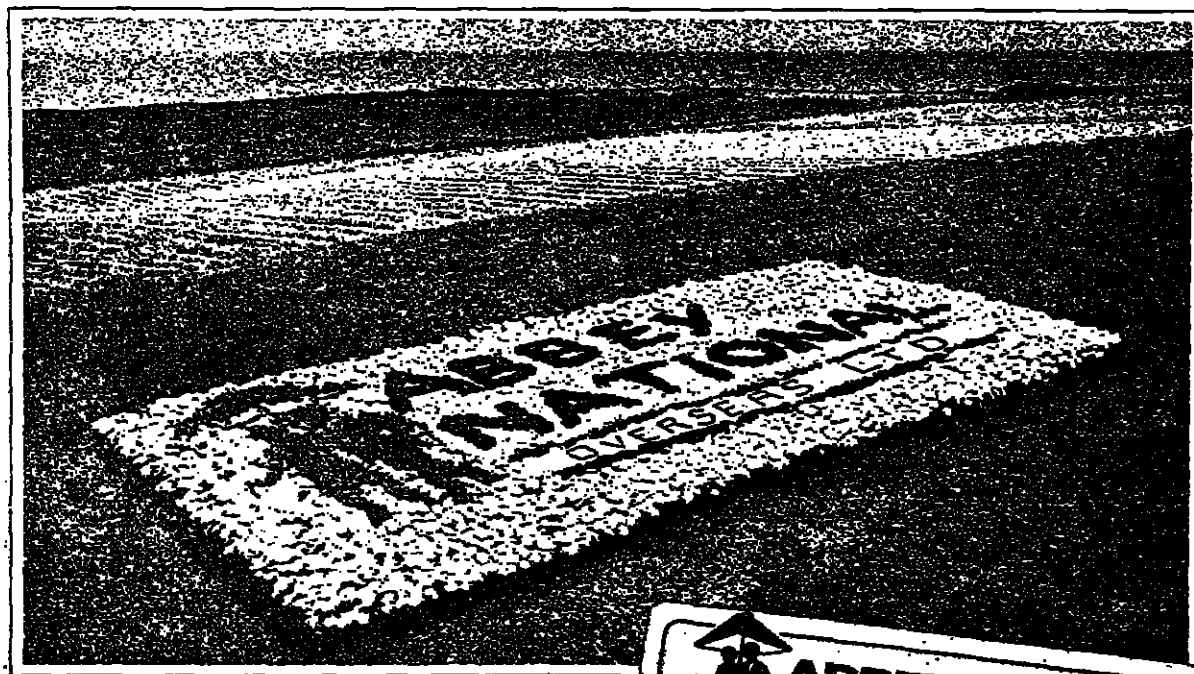
For Mrs Smith: Robert Seabrook QC and Philip Havers (Hood Vores & Alwood). For the surveyors: Nigel Hague QC and Jane Davies (Barlow Layle & Gilbert).

For Mr and Mrs Harris: Anthony Coleman QC and Nicholas Sticher (Thursfield Adams & Weston).

For the council: Piers Ashworth QC and Nicholas Worsley (Lawrence Graham).

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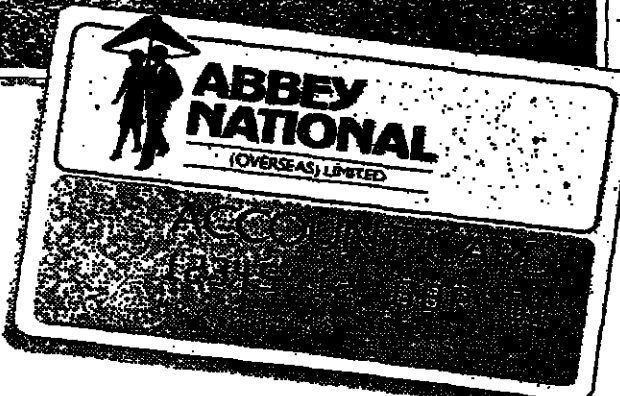
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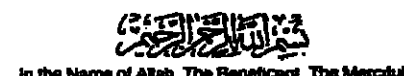
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UK NEWS

MPs voice doubt on Lawson view of trade trends

By Ralph Atkins, Economics Staff

MR NIGEL LAWSON, the Chancellor of the Exchequer, is relying on an "ambitious reversal" of import and export trends just to hold the UK trade deficit stable in 1989, an all-party House of Commons Committee warned yesterday.

There is a strong chance that export growth might fall this year as a result of a slowdown in world trade and lost competitiveness, the report published by the Treasury and Civil Service Select Committee cautions. Treasury expectations of an acceleration "appear optimistic".

The report is sceptical of Government arguments that a slowing in domestic demand, and strong investment, will release capacity for boosting exports. It considers it "very difficult" to square Treasury projections for the current account with its forecasts for growth.

In his March Budget, Mr Lawson forecast a current account deficit of £14.5bn in 1988, compared with an actual £14.7bn last year. Figures released last month, however, showed the deficit running at an annual rate of about £20bn in the first two months of the year.

The report says the increase in domestic demand expected by the Treasury in 1988 is still high by historic standards. "It is not clear that a 2.5 per cent growth rate this year will leave much capacity available for

exports even if resources can be moved from domestic to export production within a short time-scale."

The report, which was widely expected to criticise tax cuts in the 1988 budget, acknowledges that unsustainably high growth in domestic demand was already developing beforehand. It says the primary reason lay in the conduct of monetary policy.

However, it says: "The combination of intense competition in retail credit and the expectations generated by the announcement of tax cuts seems likely to have added to the growth of credit and had a powerful effect on demand through its effect on consumers' confidence."

The report, which was agreed unanimously by members of the committee, repeats a warning issued after November's autumn statement on the Government's spending plans that Mr Lawson is walking a tightrope.

The rise in base interest rates might have a sudden impact on demand, leading to recession. But if the effects take too long to materialise, a loss of confidence and fall in sterling could lead to a resurgence of inflation.

Uncertainty exists about the extent to which policy is biting, the report notes, adding: "Timing (not least in the provision of statistics on the 'slowdown') is crucial."

Hereford Cathedral to form Mappa Mundi plc

A MEDIA conference to launch one of the most unusual companies ever, Mappa Mundi plc, will be held at the offices of Lowe Bell Financial, in the City of London financial district on Wednesday April 26.

Mappa Mundi is offering the public 7,450 shares at £1,000 each to raise more than £7m.

The funds will be used for repairs and maintenance to the Hereford Cathedral where the Mappa Mundi, a thirteenth

century map of the known world has hung for more than 600 years.

Last year the Cathedral sparked controversy by announcing that it would have to sell the map to pay for upkeep and repairs.

Shareholders will receive a facsimile of the map, signed by the Bishop and the Dean and numbered. The certificate is expected to become valuable in its own right.

London set to lose 01 telephone dial code

By Hugo Dixon

LONDON's premier 01 dialling code will be replaced next year, British Telecom plans to announce today.

On May 6 1990, the 01 code will be replaced by two new codes: 071 for central London - roughly the area within a four mile radius of the Charing Cross, but also including the Docklands; and 081 for outer London.

The capital will thus be put on a similar footing with the UK's other major cities, such as Birmingham and Edinburgh which have the three-digit codes 021 and 031 respectively. The change has been forced by a shortage of available telephone numbers in London resulting from a growing demand for telephone lines and new services.

A similar shortage is developing throughout the UK, though it is not so acute outside London. A complete restructuring of the nation's numbering system, which will probably involve adding one digit to every number, is being planned for the mid-1990s.

By splitting London into two zones, the supply of numbers will automatically double as the same number could be used in both central and outer London.

However, this will also mean that people will have to remember which part of London they are calling.

People will have to use the codes if they are calling from outside London or from one London zone to another. However, calls within the same zone will not require a code.

A list of which numbers fall into which zone will be published in the telephone directories. Customers will also be able to phone a special helpline if they have problems with the new system. Foreign telecom operators are being informed of the change so that calls from abroad will be correctly routed.

Immediately after the change, anybody calling 01 by mistake will be diverted to a recorded message telling them the code has been changed. In the longer run, they will hear a long tone, informing them the number is unobtainable.

Soviet managers satisfy curiosity of Britain

By Michael Skapinker

MR KIRILL SMIRNOV, director of Leningrad's Astron Centre of Scientific and Technical Research, has come to the UK because he believes that Britain has a lot to offer the curious Soviet manager.

"This country has been through the experience of changing its industrial structure," he says. Mr Grigory Lubar, director of the Moscow Experimental Plant of Soft Drinks, came because he was invited.

Soviet managers have so much to learn that it doesn't matter where they go on

this visit to Britain.

Mr Smirnov and Mr Lubar are part of a group of 20 senior Soviet managers and government advisers who yesterday began a three-week course at the London Business School. The visit is something of a coup for LBS.

The school says that this is the first programme of its kind for senior Soviet managers to be held in any business school in the Western world.

The Soviet managers will attend seminars run by the LBS faculty. Most of their time, however, will be spent visiting

some of Britain's biggest and most successful companies such as ICI, Rank Xerox, British Steel and J. Sainsbury, the grocery retailer.

Although Sainsbury's appears to have become a firm favourite of the serious Soviet visitor, it was British Steel which had fired the imagination of group at LBS.

Once a struggling state concern, it is now a respected private one. The Soviet managers want to hear how it was done.

The Moscow Experimental Plant of Soft Drinks has also escaped clutches of the state.

The company now leases its plant from the government and distributes its profits to the employees. Why the plant is experimental is not entirely clear. Mr Lubar says that it already makes 40 sorts of soft drinks, all from natural ingredients. One, called *Kvass*, is made from black bread.

Industrial relations is another topic on the Soviet managers' agenda. They will visit the Amalgamated Engineering Union and will talk to ICI's personnel manager about how to negotiate new working practices.

That is an area in which Mr Smirnov of the Astron research centre seems to need little help. Astron does contract research for scientific institutes and companies. His researchers all have other jobs and work for him on the weekends and in the evenings.

Each group of researchers gets a fixed amount for each contract, providing every incentive to keep the groups small and finish work as soon as possible. "That's why I have no trade union problems," he says.

Lawyers for ex-Guinness chief give warning over trial costs

By David Churchill

THE LEGAL FIRM representing Mr Ernest Saunders, the former chairman and chief executive of Guinness, the international drinks group, has given a warning that it may be unable to represent him further unless adequate legal aid is forthcoming.

The move follows negotiations between Landau and Landau, the legal firm representing Mr Saunders, and the legal aid authorities over the size of aid Mr Saunders can expect.

Mr Saunders is facing the possibility of two trials in connection with criminal offences arising out of the Guinness takeover of Distillers in 1986.

In the High Court in London last December he won the right to legal aid for his defence against 46 criminal charges relating to the Guinness affair.

It is understood that Mr Saunders' legal aid has effectively been limited to £400,000 although it is expected that his defence costs will come to more than £1m.

In a letter to Mr Saunders, published at the weekend, Mr Norman Turner of Landau and Landau warns that the firm may have to withdraw if a firm commitment on legal aid is not forthcoming.

"I have no intention on compromising on the quality of the defence work you need, and therefore my partners and I have reluctantly been forced to the conclusion that unless there is a change in the immediate future in the attitude of the legal aid authorities regarding adequate funding we will regrettably be unable to represent you."

However, Landau and Landau will continue to act for Mr Saunders until at least after this Thursday's arraignment hearing at which the plea and other issues will be heard.

Mr Turner in his letter also strongly criticises the Serious Fraud Office which is responsible for bringing the prosecution. "You are aware that in the Serious Fraud Office you are dealing with a newly formed prosecution organisation that has a seemingly limitless budget and needs to prove itself; indeed you might say it is a prosecutor in search of a victim."

The trial involving Mr Saunders and six other defendants is not expected to start until the autumn of this year.

Lawson rebuffed on EC money union

By Guy de Jonquieres, International Business Editor

SIR John Hoskyns, scourge of the Brussels bureaucracy, yesterday took issue with the abrupt rejection by Mr Nigel Lawson, the Chancellor of the Exchequer, of the Delors committee report on Economic and Monetary Union.

Naming neither Mr Lawson nor the Government, he told a conference of the European Movement in London: "Instant dismissal of ideas - however wrong-headed those ideas may

appear - makes careful thinking by those you seek to persuade less likely."

Sir John, outgoing director general of the Institute of Directors, suggested that sceptics should instead ask hard, practical questions about what the proposals entailed.

He made clear, however, that any differences he had with the government on EMU were on tactics, not substance, and that his well-advised doubts

about the European Commission and Mr Jacques Delors, its president, remained.

"I think that Mr Delors, frankly, is suffering from the political equivalent of merger mania. At first reading, his proposals seem to provide a classic example of the Commission's mechanistic tendency to confuse economic cause and consequence, which I think lies at the root of so much of its muddled thinking."

Record £15m sought for former Sopwith estate

Financial Times Reporter

COMPTON MANOR Estate, near Stockbridge, Hampshire, in southern England, the home for more than 40 years of Sir Thomas Sopwith, the pioneer aviator, industrialist and yachtsman came on the market yesterday at a price in the region of £15m.

It is record asking-figure for a British country estate and the agents handling the sale say they expect to make a record sale price.

The 2,175-acre estate, in the Test Valley, includes a Georgian mansion, four farmhouses, a lodge and 25 cottages.

Sir Thomas, who died in January aged 101, bought the

estate for £130,000 in 1945. That price included nearly 700 more acres than the property now has.

The house, which has six reception rooms and 10 principal bedrooms, dates from 1810, and was at one time owned by the Hennessey family of Cognac. The agents estimate that it needs £500,000 to £1m spent on it.

Much of the value of the estate itself lies in the quality of the pheasant shooting and the extent of the six miles of fishing on the River Test, Britain's premier trout water. Substantial interest in the property has already been shown from Britain and abroad, the agents say.

House price falls reported

By Andrew Taylor, Construction Correspondent

HOUSE prices have fallen in many parts of England and Wales in the first quarter as higher home loan interest rates have deterred buyers, says a national survey of estate agents.

The Royal Institution of Chartered Surveyors last month asked 155 estate agents about price trends since the start of the year. More than a fifth said prices had fallen. Less than half said prices were static.

The survey showed house sales and prices in some parts of northern England, which previously have remained buoyant, are also coming

under pressure.

Almost a third of estate agents questioned by the institution in south east England said prices had fallen. Two thirds said prices had remained static. Less than 1 per cent said prices had risen.

Falling sales and house prices, have hit estate agents hard, particularly in the south. Nationwide Anglia one of Britain's largest estate agents said in January it would be closing 50 of its 510 branches, while Baird Eves in London said in November it would shed 100 out of 1,200 jobs.

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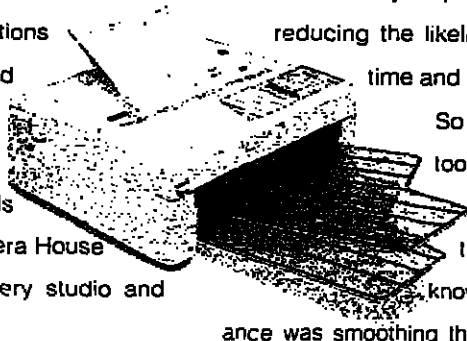
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UK NEWS

Union votes to end merger talks with electricians

By Michael Smith, Labour Staff

PLANS to create a politically moderate super union of skilled workers were dealt a possibly fatal blow yesterday when the AEU engineering union voted to halt merger talks with the EETPU electricians' union.

The surprise decision by the AEU's national committee, which decides union policy, are likely to end EETPU hopes of securing an early return to the Trades Union Congress, the union confederation, after its expulsion last September.

It will also disappoint manufacturing employers who favour union mergers as a way of simplifying collective bargaining.

Mr Eric Hammond, general secretary of the EETPU, last night urged engineering union leaders to support the merger. Such a move is allowed under AEU rules, but would infuriate large sections of the 121-member national committee.

Mr Bill Jordan, the AEU president and a strong advocate for the merger, said yesterday that the national committee had made an unequivocal statement and that the executive had a long-standing respect for its decisions. The question of a vote would be discussed at next Tuesday's executive meeting.

The crucial motion carried at yesterday's conference laid down that merger talks should be held only with TUC-affiliated unions and that they should be pursued on the basis of "keeping our unions' democratic structure."

Executive members, including Mr Jordan and Mr Gavin Laird, general secretary, had backed an amendment removing the TUC affiliation clause and deleting specified instances of the "democratic structure" including continued election, rather than appointment, of full-time officials. The amendment fell by 61 votes to 58.

The derailment of the AEU-EETPU merger talks follows two years of talks. An end to negotiations would be the latest in a series of failed attempts in recent years by the engineers to join with other unions.

Part of the reason is that the AEU union believes it has the most democratic procedures among UK unions and does not want them jeopardised. While AEU officials are elected by the membership, for instance, those of other unions, including the EETPU, are appointed.

Although the electricians had agreed that the merged unions' conference should have power to make policy, AEU national committee members yesterday were concerned that a report drawn up by union officials said that future rules should be "determined" by conference policies rather than decided by it.

Worries were also expressed about the future role of the AEU's district committees, which Mr Ron Yarwood, a delegate from Northwich, who helped lead opposition to the executive-backed motion, said would be reduced to toothless advisory bodies after a merger.

Resentment on the line at the BBC

John Gapper on the mood among pickets during the 24-hour strike

THE dapper figure of newreader Mr Nicholas Witchell appeared in front of two sets of television cameras yesterday. One was inside Television Centre, filming curtailed editions of the BBC News. The other was taking pictures of a picket line outside the BBC headquarters.

Mr Witchell came outside to explain to his BBC colleagues standing in the London drizzle why he was not observing their 24-hour strike for higher pay. "The overriding principle is that the BBC news must continue," he said.

His faith in the ideal of public service broadcasting is one which most of the technicians and journalists on the picket line share. But unlike him, their faith has been undermined by other events this year.

One of the most irritating of these has been improvements to the pay and conditions of BBC managers reaching up to Mr Michael Checkland, director-general and Mr John Birt, his deputy who came from the independent London Weekend Television.

Mr Checkland's determination to improve BBC management has led him not only to accept a pay rise of £20,000 last year, but to introduce what is known as the "professional package" for senior managers,

Board to impose 7% pay rise

THE BBC said yesterday that it intended to impose a 7 per cent pay rise for its 23,500 staff without further talks despite a 24-hour strike which considerably disrupted programmes, writes John Gapper.

The two main BBC staff unions estimated that about 18,000 staff had joined the strike across the country. In London, BBC news programmes were badly hit by walkouts at London broadcasting centres.

The National Union of Journalists said that a further 24-hour strike might be held if the BBC did not respond to the action. However, Mr Michael Checkland, BBC director-general, intends to pay the 7 per cent increase into staff salaries on May 1.

The BBC paid rises of 4.5 per cent for the last two years.

including company cars and bonuses.

On the picket line this induced two forms of resentment. The first was simply that they were being offered much smaller pay rises. The second was that Mr Checkland had invoked the private sector in justifying managers' rises.

"They cannot have it both ways," said Mr Ian Anderson, 30, a producer on the Six O'Clock News. "They are trying to have a free market philosophy for senior staff, and a public service philosophy for the rest of us."

Private sector comparability has become an even more touchy issue for BBC employees than other public sector

workers. Although pay has always lagged behind independent television, the gap has widened in the past five years.

The Government's attempt to squeeze value for money out of the corporation by indexing the licence fee has limited the BBC's options in trying to correct this. All television owners are obliged to pay the licence fee, which is the BBC's predominant means of support. It has committed itself to reducing staff costs by 1 per cent a year up to 1993.

Beyond this, doubts about the future of broadcasting has damaged the BBC's traditional appeal as a safe employer which can afford to pay less than the more free-wheeling

and insecure ITV companies. The upshot is that BBC journalists and technicians have made a stand against this year's 7 per cent pay offer this year, arguing that they will leave and the BBC will be unable to recruit replacements if pay falls further behind.

"The BBC used to be like the Civil Service. People would take lower pay to come here because of the security," said Mr Phil Kelsch, a senior recording engineer.

At the lower end of pay scales, damage to the BBC as an institution was less the core reason for a protest over pay than the high cost of living in London, worsened by inflation and mortgage rate rises.

Mr Stephen Ebanks, 27, a scenery operative, said he needed to work overtime to keep his two-bedroom house in Northolt, Middlesex. "Without it, I would lose my house. Even before the interest rate rise, I was only just surviving."

Mr Witchell was unwilling to discuss his earnings. But even he acknowledged that pay was becoming a problem for most of his colleagues. "It is a big problem for the BBC and for public service broadcasting, how it carries on effectively when it does not have the resources to reward its staff properly," he said, before returning inside.

South Africa orders official inquiry on Blowpipe affair

By Anthony Robinson and Richard Donkin

MR PIK BOTHA, the South African Minister, last night sought to distance the South African Government from the latest bungled attempt to acquire British missile technology.

Pretoria, which appears to be deeply concerned at the political damage this latest undercover operation could do to its relations with the British Government, has opened an official inquiry.

A statement from Mr Botha defended the right of Armscor, the state-controlled arms corporation, "to consider offers of weapon technology." But he added that such attempts "occurred without the knowledge of the Government if they exceeded South Africa's reasonable requirements."

The statement appeared to confirm implicitly that the South African diplomat detained in Paris last week while trying to acquire parts of a top-secret Blowpipe missile from three members of the UDA, the Ulster paramilitary organisation, was working for Armscor. It was accompanied by an "assurance" that the South African Government "is not supplying arms to any terrorist organisation."

According to reports in the French press the three UDA men were seeking South African small arms and ammunition in return for the stolen missile parts.

Sir Geoffrey Howe, the British Foreign Secretary, told the House of Commons yesterday that the Government was seriously concerned about the implications of the affair.

He was responding to an emergency question tabled by Mr Gerald Kaufman, Labour's foreign affairs spokesman. Sir Geoffrey said that Mr Rae Kilien, the South African ambassador in London, had been summoned to the Foreign Office yesterday morning.

Mr Kaufman alleged a conspiracy in which South Africa had supplied so-called loyalists with lethal weapons for use in terrorist actions in Ulster in the quest for access to information, models and replicas of British missiles.

"Is it not a fact weapons supplied by South Africa as part of this bloodstained deal have already been responsible for the deaths of innocent people in Northern Ireland?" he asked, claiming also that South Africa-supplied grenades had been thrown at Ulster police.

Kleinwort cuts jobs in restructuring

By Clive Wolman

KLEINWORT BENSON, one of the City of London's leading investment banks, yesterday made redundant 33 people as part of a restructuring of its gilt-edged and debt operations and the closure of its North American equities operation.

The bank's gilt-edged and Eurobond operations, like those of most securities firms, have been suffering heavy losses for the last two years as a result of the excessive competition and diminishing volume of trading.

The two divisions are now being slimmed down, the development and trading of derivative debt products is being rationalised and the settlements and systems staff are being integrated with those of the bank's equities divisions.

Of 160 staff employed in the

debt divisions, 25 have been made redundant of whom 20 are based in London.

The redundancies cover market-makers, salesmen, analysts, back office staff and two directors of subsidiaries.

Kleinwort Benson is continuing its market-making and trading of American Depositary Receipts, an instrument for packaging foreign shares to make them suitable for trading on the US stock markets. It will also continue to trade stocks in other overseas markets, in particular in the Far East.

However, it is pulling out of the sales and trading of US and Canadian common stocks. This has meant the redundancy of eight people, seven in London and one in New York.

Top Plessey man joins Westland

By Hugo Dixon

MR ALAN JONES, the managing director of Plessey's UK defence businesses, has been appointed chief executive of Westland, the UK helicopter company.

The UK electronics company, which is struggling to maintain its independence in the face of a hostile bid from General Electric Company of the UK and Siemens of West Germany, said Mr Jones had made a "straightforward and sensible career move."

Plessey denied that Mr Jones' departure was a blow, and that it would be cynical to suggest that his departure cast any doubts on the company's chances of defeating a takeover.

Even so, the job switch comes at a critical time for Plessey. Only last Friday, the Monopolies and Mergers Commission gave GEC and Siemens conditional clearance to relaunch their bid.

Under GEC and Siemens' plans, Plessey's defence businesses - which have a UK turnover of £500m a year - would be carved up between them. This would have left Mr Jones without a job.

Mr Jones said he would have been just as keen on the job at Westland if he had been offered it 18 months ago.

He explained the speed of his departure - he will start his new job next Tuesday - by saying it is "never good someone hanging around."

Plessey has not yet decided on a replacement for Mr Jones. There was "no dramatic urgency to take care of the position," he said.

Mr Jones, 43, had in the past been rumoured as a possible candidate to take over as chief executive of Plessey when Sir John Clark retired. However, earlier this month, Mr Stephen Wallis, Plessey's managing director, was promised that job.

Universities face funding reforms

By David Thomas, Education Correspondent

THE Government will today unveil changes in university funding designed to increase the incentives for institutions to recruit students by raising the amount of income deriving from course fees.

Differential fees for science and arts subjects are likely to be proposed for the first time in recent years in a bid to bring them more into line with costs.

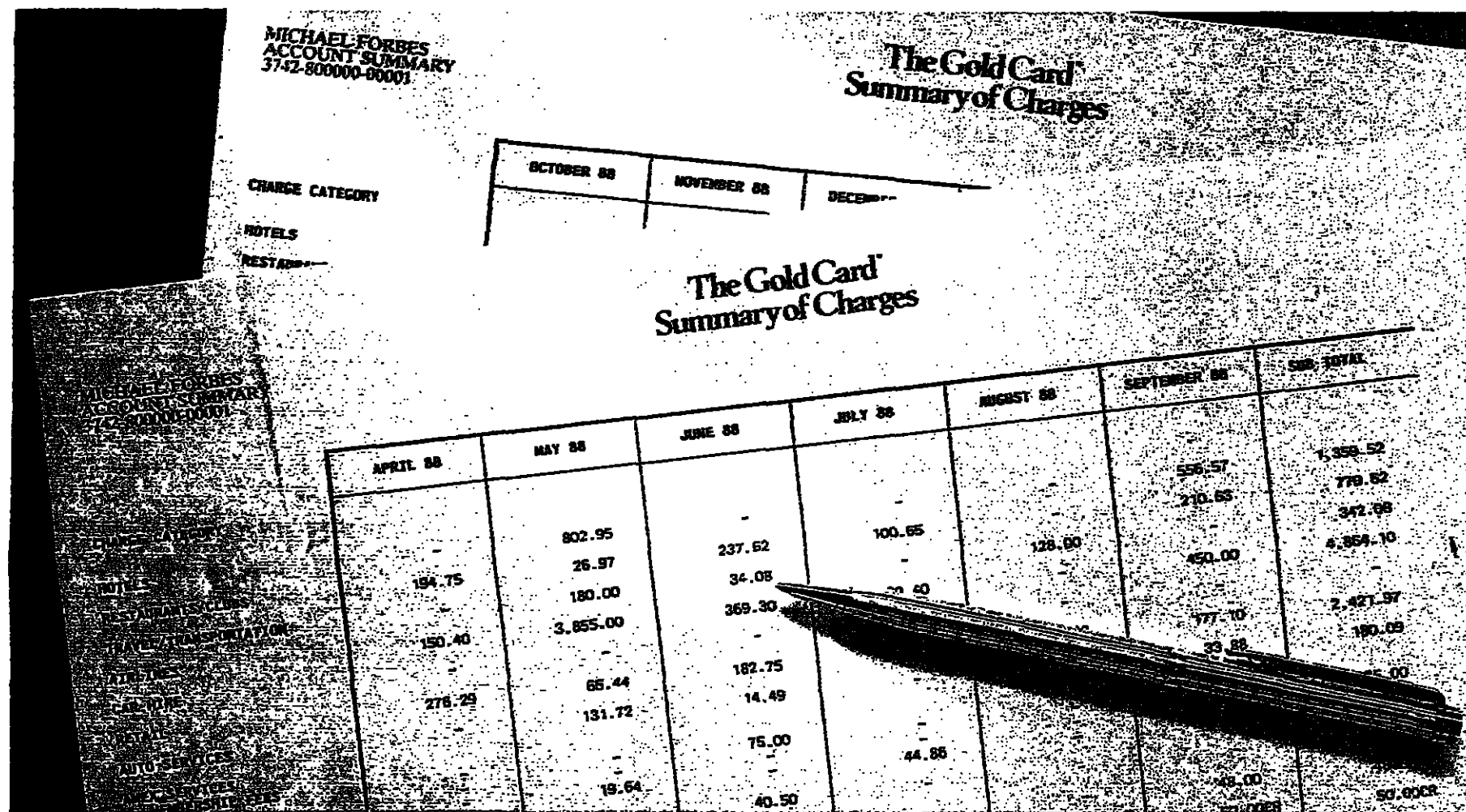
The basic tuition fee paid out of public funds is now set at a notional £897 a year for every student. Education Ministers will announce a substantial rise in this figure while cutting the central grants made to universities to cover the rest of their costs.

Ministers see the proposals, to be unveiled in a consultative document, as a key step in their programme of encouraging universities and polytechnics to take more account of market pressures when recruiting students.

Universities are likely to react cautiously, mainly because even the new fees will be set substantially below course costs. For instance, costs at Liverpool University last year were about £3,700 for arts subjects, £4,850 for science subjects and £9,000 for clinical medicine.

While the new fees may encourage universities to recruit extra students to courses with low marginal costs, the consensus in universities seems to be that they will not lead immediately to dramatic changes in recruitment patterns.

This is likely to disappoint the growing body of opinion among employers that universities should try to recruit more students from non-traditional backgrounds to counter the sharp drop in numbers of young people expected in the early 1990s.



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TECHNOLOGY

New nozzle for the non-CFC aerosol

By Paul Godden

WITHIN days of an announcement that aerosols with chlorofluorocarbons (CFCs) would be outlawed in Switzerland from 1992, Paul Comment, a Swiss inventor, unveiled a diffuser nozzle that allows aerosols to be used with environmentally clean propellant gases.

The first product - a cooling water spray driven by nitrogen - is now on the market.

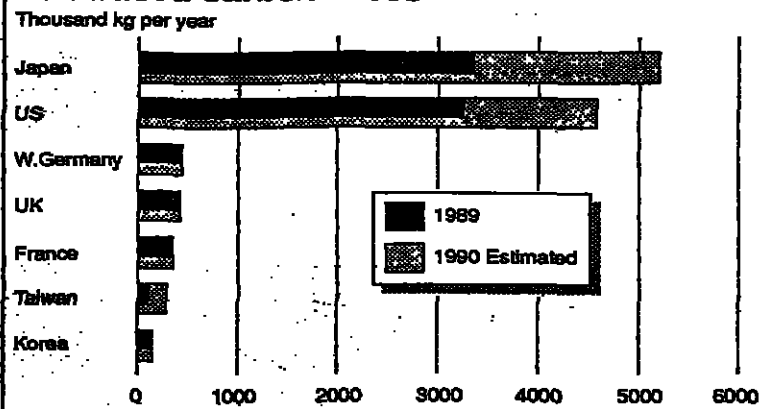
Comment points out that were it not for the damage to the ozone layer attributed to CFCs, they would have remained one of the wonder products of the 20th century. This is because they easily combine, under pressure, with the molecules of the product to be sprayed. Contact with the air causes a micro-explosion, releasing both the propellant gas and the product.

CFCs protect the product against oxidation and need only a simple diffuser nozzle. The disadvantages, apart from the environmental one, are the cost and the risk of the container exploding when exposed to heat, for example in a car parked in sunshine.

The solution, according to Comment, is to use nitrogen, which is virtually free, harmless and offers protection against oxidation. But, until recently, the problem was the diffuser nozzle. After putting in 11 years and \$8.5m (£1.6m), Comment has cracked this by using a spring-loaded regulator/diffuser, which he claims is suitable for any gas. Because the regulator is spring loaded, it automatically seals itself against the atmosphere and thus prevents products like paint solidifying in the nozzle. Moreover, as the required pressures are low, heating the can to as much as 50 deg C will have no dangerous side effects.

Comment has developed a diffuser to handle viscous products such as mustard and beauty creams, plus a system for recharging aerosols at home. Other applications include an aerosol toothpick, which squirts water, at high pressure, from a fine nozzle into places that other toothpicks cannot reach.

World production capacity of Pan-based carbon fibres



World consumption Thousand kg per year

| | 1987 | 1988 |
|------------------|------|------|
| US | 2270 | 2640 |
| Europe | 780 | 900 |
| Japan | 850 | 880 |
| Far East, Others | 790 | 910 |
| Total | 4690 | 5330 |

| | 1987 | 1988 |
|------------------|------|------|
| US | 1500 | 320 |
| Europe | 430 | 150 |
| Japan | 40 | 150 |
| Far East, Others | 40 | 630 |
| Total | 2020 | 1750 |

Source: Toray

The Japanese show their fibre

Stefan Wagstyl describes how a western initiative has moved east

THE controversy over a US-Japan project jointly to develop a jet fighter has highlighted Japanese skills in an important area of technology - carbon fibres.

If the project, code-named FSX, goes ahead, Japan will provide wings made of carbon fibre for the new aircraft.

The country is expanding carbon fibre production capacity by more than 50 per cent to meet rising demand from the world aerospace industry. Producers are investing heavily in plant and equipment, which will increase capacity from 3,940 tonnes a year in 1988 to an estimated 5,190 tonnes by the end of next year, according to Toray Industries, Japan's largest manufacturer. Toray alone is investing ¥6bn (£27m).

This will bring Japan's share of the total production capacity of the non-Communist world close to 50 per cent, with Toray and Toho Rayon, the second biggest manufacturer, accounting for the bulk of Japanese output.

Carbon fibre has long been a product which has performed wonders in the laboratory, but often disappointed in the market. The material is light and strong. It has only two thirds the density of aluminium and one fifth that of steel. But it cracks easily and is difficult to machine into specific shapes and sizes.

Carbon fibres made from polyacrylonitrile (Pan) - the most commonly used material - were largely developed in

British Government aerospace laboratories in the 1960s. Rolls-Royce tried to incorporate them in its revolutionary RB211 jet engine, but ran into development difficulties which contributed to its collapse.

Under Government ownership, Rolls-Royce continued to develop carbon fibre technology, as did other companies including Courtaulds, in the UK, and Hercules and Union Carbide in the US. But Japanese companies, led by Toray and Toho Rayon, were the first to market carbon fibre successfully - in the form of fishing rods, golf clubs and tennis rackets.

This Japanese success was not due to any technological lead. Toray and Toho both bought their technology on licence from the British Government. Junichi Matsui, general manager of technology at Toray's advanced composite materials division, says: "Britain is the mother country for carbon fibre."

But Japanese groups have a crucial advantage in commercialising their material - Japanese consumers are much keener than those in western countries to try out new products. Fashion plays a key role in popularising new kinds of sports equipment - even someone who plays golf only once or twice a year will change his clubs frequently so that he owns the latest models.

Toshio Tsuru, a Toray director, says that rapid increases in sales allowed the group to invest quickly in mass produc-

tion of carbon fibre - which western rivals were unable to do. Toray was able to fund technological advances of its own, to make the fibres thinner and stronger. It then sold this knowledge back to the west - in a licence agreement with Union Carbide and in a joint venture set up in France with Ato Chimie. Similarly Toho Rayon sold its technology under licence to BASF, the West German chemicals group, and to AEZO, the Dutch chemicals concern.

Carbon fibre sports goods have spread around the world and Japanese makers now believe that the market is saturated. So they are concentrating on aerospace - the market originally envisaged for the material by the British pioneers.

This will push Toray and Toho Rayon into much more direct competition with US and European competitors. Since only 5 per cent of Japanese carbon fibre consumption is in aerospace, compared with 36 per cent in Europe and 65 per cent in the US, increases in Japanese output will largely be exported.

Carbon fibre was first used in military aircraft in the late 1970s and in civilian aircraft in the early 1980s - including the Boeing 737 and the European Airbus A310 Airbus. Since then, it has been used to make larger components, although mostly in parts of the aeroplane which are not vital to its airworthiness. The Boeing 777, an airliner scheduled for production

in the early 1990s, will probably be the first civilian aircraft with a substantial section of its structure made of carbon fibre - the whole tail.

The use of carbon fibre in military aircraft is harder to track. Those so far in service, including the US F-16, have small non-vital components made of the material. But the planned FSX would have wings made of carbon fibre, using a secret process developed in Japan. Carbon fibre has also been used in so-called "Stealth" technology (to make aircraft less easy to detect by radar), developed for the US army and incorporated in the state-of-the-art B2 bomber.

The key point from the fibre makers' point of view is that until now the parts made from carbon fibre have been relatively small. So the switch to large parts could produce dramatic increases in demand in the early 1990s and beyond. Toray forecasts the world carbon fibre market will grow by 10 to 12 per cent a year. But the scale of its investment programme suggests it expects this to be an underestimate.

The irony is that the development of carbon fibre would then have come full circle - finally penetrating the market for which it was originally intended. In the process, technological honours have been shared equally between Japanese, US and European companies. But the commercial fields, as in so many other fields, has passed from the west to Japan.

Typewriting pianissimo

XEROX has launched a typing system called Piano, which Geoff Leavenhall, head of the Institute of Environmental Engineering at South Bank Polytechnic, London, says is "the quietest typewriter I have tested."

The company has spent four years and \$40m (£24m) developing the system, which has a noise level of 46 decibels - claimed to be 10 decibels quieter than any other product on the market. Xerox believes that there is a definite role for typing systems which can quietly handle conventional tasks like single letters, envelopes, labels and pre-printed forms, as well as providing advanced text manipulation. Piano looks like, and can be used as, a conventional electronic typewriter but, with the aid of an associated display, it becomes a word processor.

In the print head, impact noise has been partially designed out by controlling the force with which each character slug hits the paper. Each relatively heavy "print tip" gives out a quieter sound than conventional types - sufficient impression on the paper being maintained by speeding it up electro-magnetically at the moment of impact.

Piano 1 has a three-line, 80-character liquid crystal display; Piano 2 has a 9 in diagonal screen and Piano 3 has a 3.5 in disk drive to give large memory. Prices range from £1,145 to £1,945.

Metal jacket for optical fibre

HUGHES Aircraft, of California, has developed a metal coated optical fibre which allows a soldered, sealed entry to be made to electronic packages containing laser light generators, photo-detectors and associated electronics. Hughes claims that the usual plastic coating of these silica fibres is prone to damage at high temperatures and that moisture and other contaminants will penetrate the epoxy resin used at the entry point for sealing.

The company's new coating is said to be the first to meet the durability standard of US military specifications. The fibre has a multi-layer metal jacket. First, it is coated with aluminium during



WORTH WATCHING

Edited by Geoffrey Charlsh

manufacture to preserve the intrinsic strength of the fibre. Then a nickel layer combines with the solder for permanent bonding. A final gold layer prevents oxidation of the nickel.

A short cut to spare keys

A COMPUTERISED key-cutting machine has been developed by HK Industries, of France, and is available in the UK from Davenport Burgess of Willenhall in the West Midlands.

Known as Intercode, the machine has 10 megabytes of memory and can securely store several million codes for the quick and foolproof production of spare keys, which exactly match the manufacturer's specifications. The machine automatically converts the codes into movements for the cutting head, which is housed with the electronics in a bench-top unit.

Time is saved through not having to search for information about a particular key, says the company. After the appropriate code is entered via the keyboard, the machine will cut a single-sided key in 15 seconds and a double-sided one in less than a minute. All the information is held in memory cartridges which are plugged into a slot in the unit.

AA maps out savings

THE UK's Automobile Association is to save about £750,000 on royalty payments by compiling maps based on satellite photography and its own road research. Up to now, the AA has paid a

royalty to the Government's Ordnance Survey for each map in the 5m members' handbooks which it prints annually.

The information about Britain's roads is now held by the AA's cartographic team in digital form in a computer. Colour and scale can be changed instantly. Different layers of information are individually coded and the system produces colour separation films ready for printing. An advantage is that almost any kind of map can be made to suit the customer's requirements - for example, a map of public houses could be produced for the brewing industry.

Ralph Robbins, information service manager, says that because production costs have been reduced, maps will become more disposable and users will not need to hang on to outdated versions. He also claims that "no other organisation, government or private, has an information gathering network and road database as comprehensive as the AA's."

Clearer picture for video copies

SONY has developed a portable video tape recorder, the DVT-1, which is said to offer better picture quality and to allow copies to be made without the picture degradation associated with analogue machines. The recorder weighs 11 kg and can record up to 1½ hours on a cassette tape.

The machine will come on to the market in Japan next January at a price of ¥4.9m (£22,000) and is aimed at professionals such as television journalists. Sony says that it plans to produce a consumer model, eventually bringing the price down to about ¥100,000.

The recorder is able to reject noise. The recording is electronically represented by a series of very short on-off signals, or pulses. For re-recording, these pulses can be precisely reproduced and used again without differing from the original. In analogue re-recording, any noise in the system is added on each occasion a recording is made and the result soon becomes unacceptable.

CONTACTS: Rank Xerox (UK): 0895 51133; Hughes Aircraft: US, (213) 618 1022; London, 398 9836; Davenport Burgess: UK, 0922 395448; AA: UK, 0252 462048; Sony: UK, 0784 61688.

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MANAGEMENT: The Growing Business

Patents

A bewildering and complex subject

Charles Batchelor concludes the series by explaining the viability of safeguarding intellectual property

Lectronic Graders, a Danbury, Essex-based manufacturer of equipment for sorting potatoes, spends £15,000 a year on patents. This is a considerable sum for a company with turnover of just £2m and a workforce of 25 but essential if it is to keep its technological lead over its competitors.

"We survive by inventions," says Mick Cowlin, chairman. "We have to keep ahead of the market." Cowlin reckons he has taken out no fewer than 50 patents over the past 30 years. At the moment he has 10 registered and a further 12 for which he has filed an application.

Lectronic's efforts to protect its innovations appear to have paid off. The company makes a quarter of its sales in the US, the most litigious and aggressive environment for the inventive company, and has never had a challenge to its patents there.

It was not always so successful in defending its new products. Up to the mid-1970s, when Lectronic was still making what Cowlin calls "a blacksmith line of equipment," the company was too busy meeting buoyant demand to bother with effective protection. But when the company moved into the electronic field it began taking out strong patents covering its innovations in most developed countries around the world.

The time and effort which Lectronic devotes to protecting its inventions is unusual for a small company. And yet, for many companies, their future depends on successful exploitation of their innovative skills. "Many people are frightened they think patent work is complicated," says Jacqueline Needle, a patent agent with the London firm of Beck, Green, who advises Lectronic.

It is not only the individual businessman who is bewildered by the complexity of the subject. Many venture capitalists, who are an important source of equity finance for high-tech companies, do not

understand the field of intellectual property rights, according to a newly-published report. More than 60 per cent of the venture capitalists polled said they knew little or nothing about recent changes in intellectual property law.

Even the professionals in the field of patents are critical of the Copyright, Designs and Patents Act which is due to come into effect later this year. "The intention was to redefine the law of copyright, which was out of date, but the government threw everything in. It's a hotchpotch," says Needle.

The major changes contained in the act include replacing copyright protection for industrial designs by a new form of "design right," opening the field of patent advice to all-comers, though the term patent agent remains restricted to qualified professionals; and creating a county court for patent disputes in an effort to reduce the cost of litigation.

Beyond this, though, as far as the innovative businessman is concerned, the basic framework of intellectual property protection remains unchanged. Patents offer the strongest defence though more limited protection is available from registered designs, copyright and trade marks.

Licences usually involve one of these protective devices though negotiating licence deals is a skill in itself. Patents may be applied to inventions which offer something which is new and which is not obvious. A minor modification to an existing machine

which could be carried out by a competent engineer would fail on the grounds that it was "obvious."

To be new the invention must not have been revealed to anyone else. "People come in and say they've sold 50,000 of a particular product, they've got a German company interested in manufacturing and can they have a patent," says Needle. "It's very depressing. We have to say they can't because it has been disclosed."

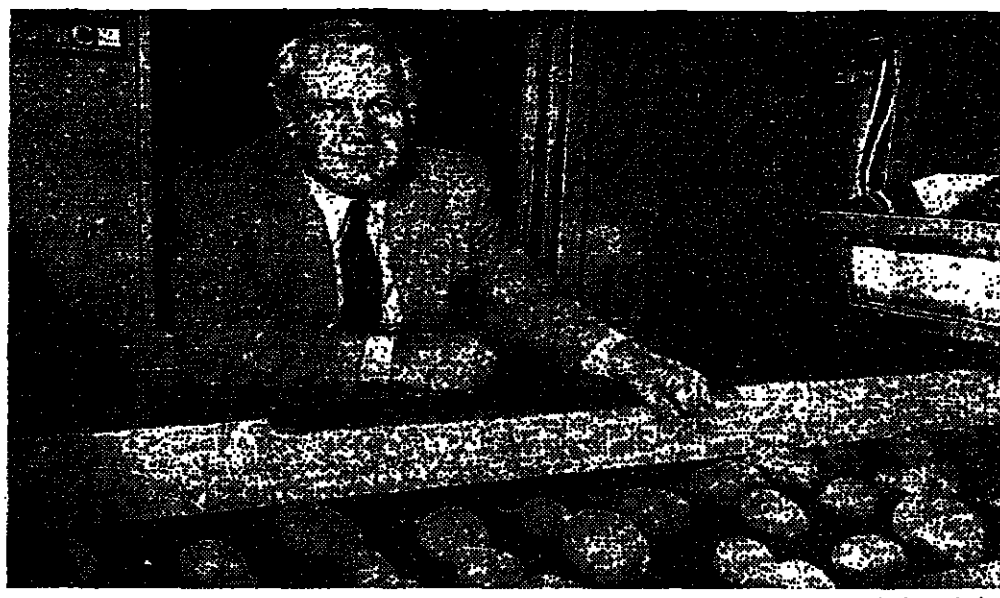
Academics are also frequent offenders against the disclosure rule because they reveal inventions in journals or at conferences.

Obtaining a patent, from the date of the first filing with the Patent Office, can take up to 4 years. If the inventor has used a patent agent he will probably be faced with a total bill of between £500 and £1,400 in London (less in the regions). But both the cost and the time will increase substantially if the inventor goes for the international patents which are essential if he is effectively to cover his innovations. Translating the patent and obtaining the official approvals needed from foreign patent offices may extend the process to between five and seven years.

It is because of the time involved in obtaining patents, and because of the need to establish novelty that some companies opt to register the design of their products, thereby protecting its visual appearance. Manufacturers of seasonal products can obtain design registration within six months and for just £200 or so.

Copyright, which is automatic and free, is often the only protection open to the writer of computer software, though proving a programme has been copied is very difficult.

Products which are obvious or not new, or which lack unique visual characteristics, may be protected by a trade mark. Other manufacturers may copy the product but it will lack the customer appeal



Mick Cowlin: "We survive by inventions"; he has taken out 50 patents over 30 years

of the original backed by a well-known brand-name. Registering a trade mark will cost between £450 and £550 and take between 18 months and two years.

Often, inventors get carried away with the idea of hanging a certificate on their wall and forget the purpose of the patent. "I see a lot of inventors spend a lot of money on patents without giving any thought to their exploitation," says John Emanuel, managing director of Pax Technology Transfer, a consultancy group, and chairman of the Institute of International Licensing Practitioners.

But if some people collect patents for their prestige value, others are put off the whole idea of protecting their innovations by the fear that they will be challenged by a larger and richer competitor.

Horror stories abound of inventors who have been muscled aside by rivals and of companies facing massive legal bills as they attempt to defend their rights.

The cost of a legal defence of a patent can be high. Some businessmen believe the best way round this is constantly to update their products so that competitors never catch up. This may be valid for certain consumer products with a short "shelf-life" but most products require a more long-term approach.

One answer is to devise a strategy which either prevents people challenging your patents or which leads to a compromise if they do.

One inventor successfully took to court a small company which had infringed his patents. This one, relatively inexpensive, legal action established his reputation as a tough customer and no-one else took him on.

Another businessman decided to licence his invention quite cheaply to any company which was interested. This proved far more effective and more lucrative than very expensive licence deals with just one or two companies which would almost certainly have been infringed by other manufacturers.

The danger remains that, however strong your patent, a determined and wealthy rival will always be able to wear down either the patent or its owner. Strong patents which are professionally defended very rarely attract challenges, however.

"Out of every 100 patents I see only one goes to court," says Simon Cooke, senior patent partner of Bristows Cooke & Carmichael, a London law firm. "The cases you do see are generally about badly-drafted patents. It is a question of playing good poker and of using your natural business acumen rather than of relying on the law."

A growing number of businessmen are also backing their patents with legal insurance cover.

If the businessman lacks the resources to develop and market his own invention the best way of exploiting it may be by means of a licence. Negotia-

tions must be carefully handled so that the licensor does not reveal too much about his invention at too early a stage. The licensor wants to be sure the licensee has the resources to do justice to the product while the licensee is concerned that the product is a good one and that there is a market for it.

"You can avoid conflicts if the licence is realistically written," says Emanuel. "It must take into account the value of the project, the secrecy of the know-how and the strength of the patent."

The licensee will want to know how he will get the technology, how he gets access to any improvements that are made and what recourse he has if the licensor doesn't produce the goods. The licensor wants to be sure he will get paid and how; what happens if the licensee improves the product and how the patent will be defended.

How to protect and exploit your intellectual property is a subject fraught with difficulty for the growing company and professional advice will probably be needed. "It's a precise art but it's very straightforward if you understand the procedure," comments Locronic's Mick Cowlin.

Previous articles in this series appeared on March 28, April 4 and 18.

Intellectual Property Rights and Technology: A Study of Venture Capitalists' Attitudes and Awareness. 220 from Quantis Bell Organisation. Tel 01-273 7000. Contact: The Chartered Institute of Patent Agents, Tel 01-625 5455; The Patent Office Tel 01-222 6512; The Institute of International Licensing Practitioners, Tel 01-439 7671.

Now the VATman must record his delivery

By Charles Batchelor

The VATman must ensure that a surcharge warning notice has actually been received by the taxpayer before imposing a penalty for late payment, according to a recent High Court ruling.

The VAT office posted a surcharge liability notice to Medway Draughting and Technical Services, a UK contract drawing office company based in Scotland, Kent, which did not arrive. Ruling against the Commissioners for Customs and Excise, Mr Justice MacPherson said the law stated that taxpayers should be given notice of their liability to surcharge.

John Booker, managing director of Medway, said the first indication he had that he had not paid his VAT was when he received a surcharge notice for £533 in October 1987. Notices are issued to traders who late in paying tax or sending in VAT returns twice within 12 months.

The notice warns that any delay in payment in the next 12 months will cause a surcharge to be added to the

amount of tax delayed. The surcharge rate starts at 5 per cent and rises to a maximum of 30 per cent.

Medway, which employs 35 people and has turnover of £400,000, won the case when it went to a VAT tribunal, but Customs appealed to the High Court. "There was no way I could afford the High Court costs of £3,000 or £4,000," said Booker. "But I had the bit between my teeth."

Booker won the backing of the National Federation of Self Employed and Small Businesses though he was not a member at the time. The federation offered advice and financial help; but in the event, Medway was awarded costs.

"Customs should send all warning notices out by recorded delivery so that there can be no doubt that the taxpayer receives them," says Tony Miller, the federation's tax committee chairman. "Recorded delivery postage would only add £26,000 to the VATman's bill. Compared with the £45bn collected by taxpayers in VAT this sum is minuscule."

In brief...

■ Girobank has launched a new fixed interest Business Development Loan for amounts of between £15,000 and £250,000; it says this will meet criticism that banks did not clearly state their charges.

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■ Applications for the Government's Loan Guarantee Scheme have been running at a rate of 300 a month this year compared with an average of 180 a month in 1988 and only 90 a month in 1987.

The sharp rise in applications over the past 16 months was due to the streamlined arrangements for dealing with loans up to

£15,000 which were introduced in January 1988, said John Cope, small firms minister. Forty-five per cent of new loans made under the scheme are for these smaller amounts, a far higher percentage than before.

Recent figures showed a failure rate for guarantee-backed firms of one in four after three years compared with one in three for small firms generally. The scheme guarantees 70 per cent of loans rising to 85 per cent in inner city task force areas.

■ A three-day conference and exhibition on managing growth is to be held on May 23 and 24 at Olympia in London. The Business & Corporate Finance '89 Conference will look at aspects of growth from start-up to Unlisted Securities Market flotation and including buy-outs, buy-ins and acquisitions.

Contact Emma Saunders, Enterprise Events, 34 The Quadrant, Richmond, Surrey TW9 1DN. Full conference fee £12.50.

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ARTS

Mid-generation minimalists

William Packer reviews the Saatchi Collection and the Karsten Schubert gallery

London now offers the young and unknown artist infinitely more opportunity to show his work than existed even 20 years ago. But that said, London has never been committed to the newest and the very latest reputation simply for being the newest and latest. There has always been evident the practical corrective of work of established, even old-fashioned critical standing.

While the latest super-nova of New York is sure, sooner or later, to swim into his ken, the British watcher of the skies, at least, is usually able to stand back a little and take the broader view.

That the Saatchi Collection - which so often has appeared to acquire its stuff wholesale and uncritically, making and then sustaining an artist's reputation simply by virtue of its known intervention - should also so regularly afford us the opportunity of the comparative and sobering review is one of the nicer ironies of our present-day art world. Each show in the sequence of definitive selections from the Collection is therefore a signal event, most especially when, as now, the work on show is not that of yesterday's man but his of the day before.

But we should need no prompting to make the visit, for whatever the nature of the display Max Gordon's conversion of the vast interior of the former factory (at 98a Boundary Road, NW8) remains the primary exhibit, and as exhilarating as ever. The only caveat is that so generous is the space to whatever it holds that, to look even half bad, any work must be truly awful: viewer beware.

Two mid-generation American minimalists, Robert Mangold and Bruce Nauman are the current heroes (throughout the summer: Fridays and Saturdays or by appointment - 01 624 8299), the one a painter, the other a sculptor, and both of them represented by work that runs from the late 1960s to the mid 1980s. And in these revisionist times, with content at a premium, figuration the rule and even the spiritual no longer beyond all consideration, it is salutary to be reminded of what minimalism can mean, in terms of content and the spiritual, in the hands of two worthy, if not extraordinary, exponents. For minimal was always an epithet more convenient than precise, that referred to economy of means rather than to any paucity or limitation of idea or imagination.

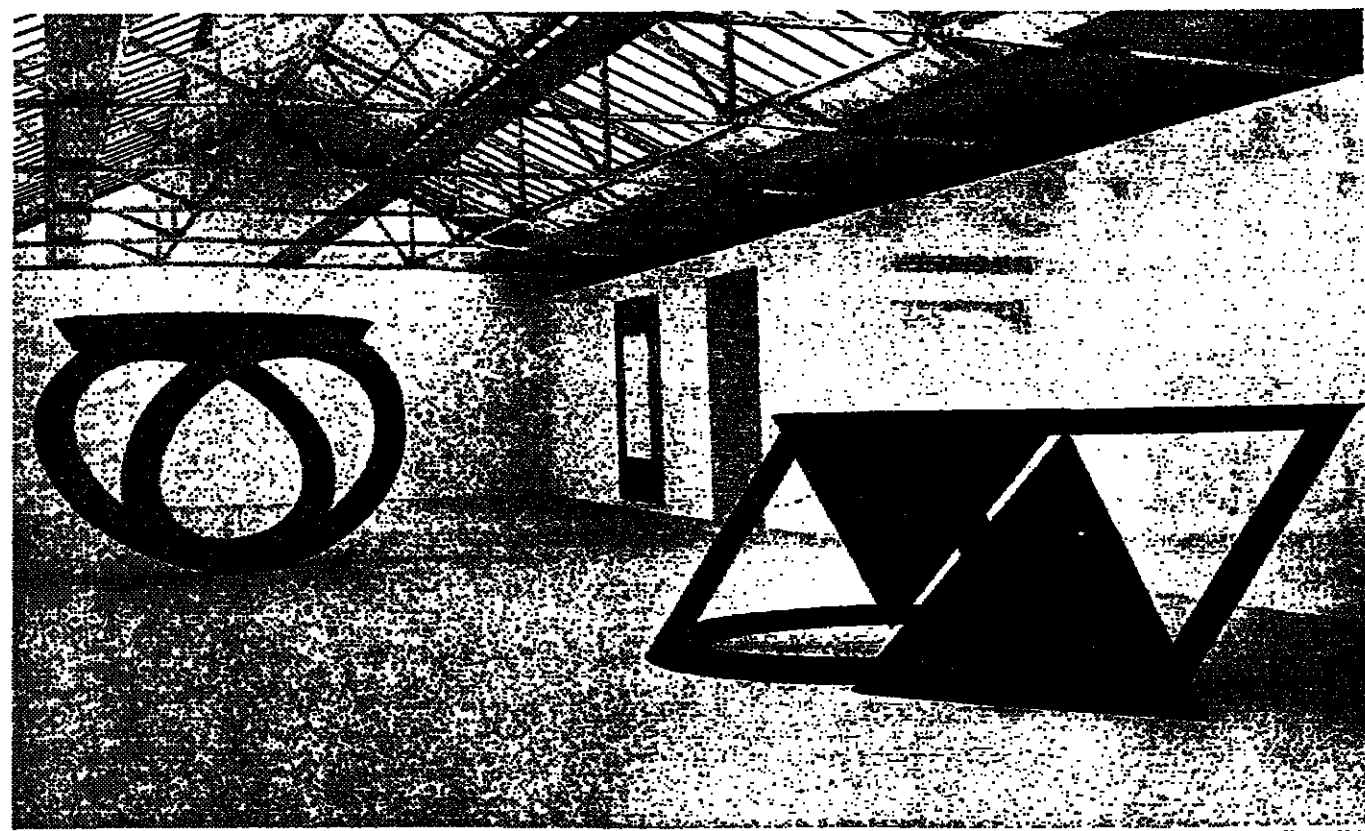
The elegant statement of a simple figure, motif or principle is not held, in such other disciplines as music or mathematics, or even literature, to qualify its profundity; and yet the literal demands commonly made upon visual expression still surprise our supposedly educated and sophisticated culture.

Mangold's work rests on the basic figures of geometry - square, circle, triangle, ellipse - which he disposes on a large scale with a matching simplicity, making frequent use of the shaped and divided canvas to play out his elegant games of proportion and figurative - to reapply the word - opposition.

A bare circle inscribed upon a single colour field may sound all too simple, but the rich colour draws in the eye, while the elegant reticence of the statement oddly activates the pictorial space, teasing the imagination into moving speculatively through and beyond the picture plane and the surface of the canvas. It is a world of pictorial illusion and suggestion that is as much the province of the minimalist as of any painter of the figure, landscape or still-life.

Nauman, the sculptor, is more various an artist and more the conceptualist than minimalist, taking the idea first and finding the form to fit it, moving thus from fibre-glass to grease to metal to neon-lighting to video tape as need requires.

The neon sequence runs through the virtues, but overlaid or underwritten by the seven deadly sins. A huge circle hovers high above two others on the floor. Sheets of aluminium, plastic, felt and rubber, physically pierced by



The Bruce Nauman and Robert Mangold installation at the Saatchi Collection

the artist himself and thickly spread with grease, are pressed together into a single wedge. Two inverted fibre-glass channels rear up, snake-like together. And on the multi-screen video bank, a couple set vigorously about each other over their "dinner intime."

Video is a medium with an immediate and infinite capacity to bore, but I must say that "Violent Incident" is wonderfully if appallingly engaging. Minimalist perhaps, conceptualist yes, but Nauman is nothing if he is not a romantic.

At Karsten Schubert (85 Charlotte Street until May 13), one of the most distinctive and, in his time notorious of British minimalists, Bob Law, is showing a group of drawings from the early 1960s. Law is also a sculptor and too often in the

past the essential connection between his paintings and graphic work and his sculpture was not clearly established. This small show is hardly likely to persuade the committed anti-minimalist that there is more to a square drawn on a piece of paper than that.

But for Law himself to move from proposing sculpture by the near-diagrammatic drawing of blocks and cubes on a table, to setting a single block map-like on the page, as it were, is a field, to stating that field as a simple field of tone or colour - and back again to making sculpture proper of blocks and spheres and furniture. These drawings have a curiously resonant presence, for all their simplicity and reminding us that a fuller view of Law's work, his sculpture espe-

cially, is overdue.

Schubert's upper room is given to recent photographs of the male nude by Bruce Weber, which are at once witty and technically distinguished. To add that they are explicit yet entirely inoffensive, however, is to raise a delicate but fascinating general point. The fun is not always intentional, and so it is not altogether fair to make Weber responsible: the fault is in ourselves. Why is it there is something so comical about Billy, Rick or Tom in the great outdoors, of which the conventional female nude, unequivocally erotic though she may well be, is entirely free? The admirably idiosyncratic fashion photography of Koto Bokko, now at the Photographers' Gallery (5 & 6 Great Newport Street until May 20) makes this very point.

Der Prinz von Homburg

RADIO 3

Henze's third stage work, first performed in 1960 by the Hamburg State Opera and brought to Sadler's Wells by the same company two years later, remains with its immediate predecessor *King Stag* the least known of his operatic canon. *Der Prinz von Homburg* may lack the glamorous literary pedigree of *Elzgi for Young Lovers* and *The Bassarids*, or the political allures of the later theatrical actions, but the BBC's studio production, broadcast on Saturday, made a good case for its musical virtues, and its feeling of thorough-going dramatic sense. It is a well-made piece that could easily justify a London production.

The libretto by Ingeborg Bachmann reworks the play by Heinrich von Kleist with some skill, preserving much of its action and often enhancing the curiously teasing world it inhabits. Its theme of the hero's inability to reconcile his abstracted longings with the demands of military life brings him to the edge of disaster, is a curiously involving one even though the characters are conceived sometimes as remote and bloodless.

The BBC's studio version remastered play and opera: in place of the conventional synopses that punctuate most opera broadcasts extracts from an English translation of Kleist, spoken by Derek Jacobi, were interlarded between the scenes. It worked well, almost too well at times, when the imagery of the original almost made the musical treatment redundant - nothing in

Henze's musical realisation of the battle of Fehrbellin can match Kleist's lurid description of that day. But the duration of the distinctions between dream and reality, so even-handedly treated in the play yet firmly weighted towards poeticised fantasy in the opera, is the strength of the music, and made the subject an ideal one for Henze at that point in his development, when Italianate warmth and lyricism were beginning to permeate the crisper soundworld of his earlier music. Both have their places in *Der Prinz von Homburg*, and the ambiguity between them is effectively exploited, even if the vocal lines are not always as well characterised as they might be.

The performance was founded upon the BBC Scottish Symphony and the John Currie Singers, conducted with finesse and a fine feel for the textual niceties by Ronald Zollman. Roland Hermann sang the role of the Prince, a little plummily at times perhaps for a character whose aspirations need to seem more sympathetic; William Cochran was the Duke of Brandenburg, Alan Oyle the Field Marshal, while Howard Haskin made much of Count Hohenheim, the Prince's confidante. The ladies have less reward in this opera - Anne Collins was the Princess, and Carol Smith Natalie, whose appearance starts the whole train of events. A fascinating enterprise, and undoubtedly a work that one is glad to have had the opportunity to explore.

Andrew Clements

BBC Symphony

FESTIVAL HALL

On Sunday, Lothar Zagrosek's programme with the BBC Symphony represented two young Russian exiles: Stravinsky with his *Firebird* Suite, and the "desident" poet Irena Ratuhinskaya in Brian Elias's new song-cycle on five of her poems - as well as an old Czech atheist with his devout Mass. One was curious to know what part of the audience might, unofficially, be representing Eastern Europe at this awkward occasion.

The new Elias cycle is orchestrally rich and dramatic, with a far-ranging mezzo-soprano soloist: here Elizabeth Laurence, who did what was surely superlative justice to her part, technically astonishing and committed to the bit. Zagrosek seemed to have prepared the score with no less searching care. It struck home with force, but the development of the musical thought - continuous from the start - was kept pellucid. Elias has arranged the five chosen poems as if they were successive chapters in a monologue, centred upon Ratuhinskaya's person experience. Sometimes the orchestral music is violently impassioned beyond the taut, intimate scale of the poems: most blatantly in the fourth, "Pencil Letter," where the private epistolary gasps are tossed upon huge waves of bitter protest.

The effect is to set the first-person distress amid a torrent of Western moral outrage. That might have amounted to post-euphoric - but Elias has not stunted on sharp musical invention, nor on dramatic contrasts of his own devising.

The second song evokes at once a light, shimmering ballad style and a sardonically suggestive, the despairing vein of the third (with obligate Engelhorn) is exposed raw, in the tradition of Mahler and Shostakovich. The angry fourth concludes with heavy bells, which then dissolve into silvery polyphony - all the tuned metallic percussion - for the final song. Famously, too, like the devices heard there, like the Berg trick of erecting a strident chord in steps from the bottom up, don't compromise the pungently individual Elias voice.

Zagrosek's *Firebird* was sympathetic, if a little too clever: he risked fading the Technicolor score with his sophisticated dynamic contrasts, and the orchestra sounded anxious in his racy "Dance infernale." But Jandacek's "Glagolitic" Mass was resplendent, with an intrepid solo quartet (the tenor Ian Caley mastered his near-impossible part better than the trumpets did theirs) and the BBC Symphony Chorus wonderfully unanimous and fervent. In the Credo organ-cadenza - Christopher Bowers-Broadbent made the Festival Hall instrument roar cogently - though his Postlude, staid in the middle, went reckless toward the end. No matter: the bracing effect of the whole easily met the standard that Jandacek's open-hearted score demands. No other setting of the Mass is at once so "popular" and so severely original.

David Murray

The Phantom Violin

QUEEN ELIZABETH HALL

From Werther and his sorrows to Schubert's winter traveller, the forlorn early Romantic hero is a familiar figure. To make him the sport of ridicule might well have seemed too easy a task and so it is a delight to report how skilfully Théâtre de Complicité in their recent show of mime, words and music, given a single performance at the Queen Elizabeth Hall on Saturday, have hired and trapped their prey.

Set in 1820, *The Phantom Violin* is a compendium of extracts, often only odd lines or phrases, from early 19th century texts and musical works devised by Gerard McBurney. With merely a sofa and a fireplace as props, our Byronic hero takes the audience on a tour of favourite early Romantic haunts: to a forest, to a ruined abbey in the midst of a storm and a masked ball where he is bewitched by a elusive young beauty, each with musical accompaniment.

Would we get the ball scene from Berlioz's *Symphonie fantastique* or "Le Spectre de la rose"? In the event no, though a snatch of the symphony did slip past later. Apart from the opening chords of Mendelssohn's *Midsummer Night's Dream* to portray the moon, McBurney generally tries to

avoid obvious musical similes, because it is not the object of the evening to have the audience trying to identify all the references.

The aim is rather to encapsulate all that it meant to be an artistic thinker in the early 1800s. With Eric Mallett playing the young man with exquisite sensibility, the feeling of the show is as affectionate as it is humorous, even when it takes a sly dig in the hero's ribs by getting him to write his poetry with a giant quill or roger off in search of his loved one in a boat that was actually the upturned sofa. The cast as a whole reveals a splendidly dry wit.

Among the bits and pieces there are a few substantial vocal numbers, very capably sung by Adrian Thompson and Lynda Russell, beautifully pure in tone for her unidentified "Ave Maria." The small instrumental band of Chameleon was led by Elisabeth Perry, who had to negotiate the Paganini-derived excess of the Phantom Violinist himself, a cloaked and shadowy villana who could well have scented out of an opera by Marschner. Just one more source to add to Théâtre de Complicité's already long list.

Richard Fairman

Rattle's Mahler

BARBICAN HALL

The regular appearances of Simon Rattle and the City of Birmingham Symphony now count among London's most prized concert experiences. Friday's showed why. The main work, Mahler's Seventh Symphony, was given an incandescent performance. It was alive, lived-in, felt. We hear much of Mahler in London, sometimes played with splashing virtuosity than the CBSO can command (the violins were excellently solid but not rich or refulgent of tone); what we hear too seldom is meaningful Mahler, of which this Seventh

was an outstanding example. As ever in listening to a Rattle performance of this composer's works, one becomes wholly absorbed in the conductor's attempt to get to grips with the meaning of the notes and their copious expression-marks. This is a work that inhabits a dream-world - of proto-Wellian nightmarishness (in the opening) and also of more fugitive fantasy states (in the two "Night music" movements). Rattle and his players responded to every quicksilver change of mood (the flexible rubato pacing of the *Andante*

amoroso, warm but never cloying, was a marvel of musical sensitivity). The colours of this most poetically sombre-hued of all Mahler symphonies were obtained with utmost delicacy - the skeletal note-pattern of the Scherzo gave just one of many choice examples. - And, most important, the work held together as a whole. The stumbling block of the Seventh is usually held to be the C major finale, in which a post-Meistersinger brassiness disperses the dream clouds. Here, it was offered with the same mercurial responsiveness

to shifts and mood, and did not seem a garish let-down.

It was no less typical of Rattle's un-superstar-like musical personality that he should choose to precede Mahler with the London premieres of two short, recent Elliott Carter compositions - a collaboration of some 100 & 150 notes (a brilliant, fast-moving spatter of notes and phrases) and the elegiac *Rememberance*, whose trombone solo pointed the way on to Mahler. Marvellous programme, marvellous concert.

Max Loppert

Hynninen

ST JOHN'S, SMITH SQUARE

The Finnish baritone Jorma Hynninen, besides being director of the National Opera in Helsinki, is a regular visitor on stage in Vienna, Milan, Paris, and at the Met in New York, where he has recently been singing the title-role in *Eugene Onegin*. In London we have to make do with his concerts and recitals, which is very nice as far as it goes.

Yesterday's Smith Square recital, broadcast live and repeated on Sunday, seemed to mark a further stage in his progress. His lower register has taken on a voluminous, expansive quality reminiscent

of Finnish basses rather than baritone; the tone is hugely mellow, with plenty of space round it, an impression doubtless strengthened by the St John's acoustics. The *Die farn* as ever, remains heroic, bright and fiery by turn. This is an instrument under total control - Hynninen's range of tone-colour and dynamic remains as striking as ever - used with consummate craftsmanship.

He sang two cycles, *Dichterliebe* and Kilpinen's defiantly well-made *Spielmannslieder* (Minstrel's Songs, 1933). The latter, a not strictly necessary

footnote to the *Winterreise*, suited Hynninen's platform style better than the former. He is a natural stage creature, yet his "performances" of songs are a matter of enhanced intensity rather than illustration in the manner of a Fischer-Dieskau, and his stance, rather like an athlete poised for a particularly juicy burlesque, easily encompassed the right rather one-dimensional *Affekt* needed for Kilpinen.

But for all the up-front emotion, starkly fielded, in the Schumann, for all the expressive projection of the words, one wished for a touch more

depth and resonance, for - as example - a less fast, fierce, and violent "Ein Jüngling liebt ein Mädchen". Heine works through detachment, and Schumann follows his lead sufficiently for an element of it to be not inappropriate in performance. With Ralf Gothofon an equal partner creatively (the postures to both cycles played with expressive individuality), this was a fine recital that unfairly left one wanting something more, more music, more *Insigkeit*, less athleticism.

Rodney Milnes

ARTS GUIDE

OPERA AND BALLET

London

Royal Opera, Covent Garden. *Die Zauberflöte*, one of the most admired Mozart productions of the postwar period, returns with its original conductor, Colin Davis. Stuart Burrows takes the title role, and the cast also includes Carol Vaness, Anne Sofie von Otter and Anne Mason. *Swan Lake* is danced to Fedor Ivanov choreography in the production by Anthony Dowell which is conducted by Mark Rimmer. English National Opera. Coliseum. *Eugene Onegin*, an opera not previously given by the ENO at this theatre, is produced by Graham Vick and conducted by Mark Elder, with Jonathan Summers in the title role and Marie McLaughlin as Tatiana. Another performance of Jonathan Miller's dark, handsome staging of *Don Giovanni*, with Steven Page in the title role; and a revival of Jandacek's *The Makropulos Case* with Josephine Barrow as Emilia Marty.

Paris

English National Opera and Die Deutsche Oper Berlin in co-production of Tchaikovsky's *Sleeping Beauty* alternating with Ferruccio Busoni's *Pastorale*. (47455571)

Vienna

Staatsoper. Ballet: *Dorndorchen*. Opera: *Die Zauberflöte* conducted by Nicholas Harnoncourt. *La Forza del Destino* conducted by Garcia Navarero. (51444, ext. 2600).

Volkoper. The week's performances include *Don Giovanni*, *Les Femmes de Goodbye*, *Die Zauberflöte*, *Gasperone*, *Der Freischütz*, *La Bohème* and *Die Fledermaus* (51444, ext. 2602).

Milan

Teatro Alla Scala. *A Midsummer Night's Dream* with choreography by Peter de Warren and sets and costumes designed by Nadine Baylis (80.91.26).

Rome

Teatro Dell'Opera. Benoit Monte's production of Rossini's *Zelmira*. In a new, carefully prepared edition by musicologist Kathleen Hansell. (46.17.55).

Venice

Teatro La Fenice. Ennio Tichakarov conducting Purcell's *Diido and Aeneas*, arranged by Benjamin Britten, and Stravinsky's *Cedrus Rex* (with text by Jean Cocteau). (5210161).

Bologna

Teatro Comunale. Ruggero Raimondi sings the title role in a co-production with the Théâtre des Champs Elysees in Paris by Yannis Kokkos of Mussorgsky's *Boris Godunov*, conducted by Vladimir Fedoseev. (629.959).

Berlin

Theater des Westens. *Carl van Tulle* in Götz Friedrich's production with Angela Denning, Carol Malona, Mariana Giromilla, Keith Lewis and Lenns Carlson. Der Liebestrank returns with a new cast led by Jane Claring.

Gösta Winbergh, Manfred Roehr and Ingrid Wixell. *Giselle* rounds off the week.

Hamburg

Opera. Harry Kupfer's wholly delightful production of *Die Zauberflöte* with Helen Donath, Walter Feiler, Carmen Amnhorn and Harald Stamm. *Die Fledermaus* with Alan Tait in the title role. *La Traviata* has Miriam Gauci outstanding as Violetta. *Faust* Verdamnis is sung by Delores Ziegler. Also *Der Rosenkavalier* with Judith Beckmann.

Cologne

Opera. *Faust*, sung in French, features Ulrich Fieischer Ashley Putnam, Fernando de la Mora and Ludwig Reumann. Also two guest appearances by the Düsseldorf opera with *Romeo und Julia*.

Frankfurt

Opera. *Rusalka*, produced by David Pountney and conducted by Anne Pellin with Allan Glassman, Kristine Oehlschläger, Clara Bartha, Manfred Schenk, Eva Randova and Valentin Jar. *Die Fledermaus* with Delores Ziegler. Also *Der Rosenkavalier* with Judith Beckmann.

Stuttgart

Opera. *Die Soldaten*, produced by Harry Kupfer will also be seen on TV with Nancy Shade, Mila Gorgas, Grace Hoffman, Mark Munkittrick, William Cochran and Michael Ebbecke. Also in repertory: *Otello* and Philip Glass' rarely played *Einstein on the Beach*.

Munich

Opera. *Le Nozze di Figaro* has fine interpretations by Edith Mader, Pamela Coburn, Birgit Calm, Wolfgang Brendel, Alan Tims and Alfred Kuhn. *Madama Butterfly* has a first-rate cast led by Yoko Kamegawa, Friedrich Lenz and Thomas Woodman. *Die Zauberflöte* is sung by Pamela Coburn, Sumi Jo, Jan-Hendrik Roeder and Elsie Engen.

New York

Metropolitan Opera. The final fortnight of the season is dominated by two complete cycles of *Der Ring des Nibelungen* conducted by James Levine. In this first ambitious undertaking in 50 years, Gwyneth Jones sings Brinnhilde, William Johns is Siegfried, Pamela Coburn is Wotan, Lincoln Center Opera House (382 6000). New York City Ballet. The 90th New York season opens with Balanchine's ballets *Mozartian Episodes* and *Tchaikovsky Piano Concerto No. 3* in a season that features 22 ballets by Balanchine, 11 by Jerome Robbins and 7 by Peter Martins, including a Martinis world premiere on June 15. Ends June 26. Lincoln Center New York State Theatre (877 4700).

Tokyo

Matsuyama Ballet. *Swan Lake*. Kan' Hoken Hall, Gotanda (Wed, Thurs) (650 6640).

SALEROOM

Snuff for the rich man

Snuff bottles is one of those collecting markets that you can get into with a tiny amount of money. However, the prices for the best items at Sotheby's yesterday suggested that this could soon become a rich man's plaything.

The top price was \$21,900, well in excess of the \$10,000 top estimate, paid for a very rare "nutton fat" (so called after its brownish hue) snuff bottle made in the Emperor Quanlong's Imperial workshops in the middle of the 18th century. The combination of the unusual colouring and the Imperial mark accounted for the price. The bottle was recently brought into Sotheby's at Billingshurst and was wisely sent to London for identification and valuation.

In the morning session the top price was the \$28,050, double the estimate, paid for a rare rock crystal bottle with an inside - painting, portraying Duanfang, the Governor of Sichuan province, who had evacuated the Empress Dowager Cixi from Peking during the Boxer uprising. He was assassinated in 1911. In 1982 it was sold at Sotheby's New York as part of the Bob C. Stevens collection for \$17,800.

An 18th century jade snuff bottle doubled its top estimate at \$24,750 and a jadeite snuff bottle of around 1800, realised at up to \$4,000, realised

\$19,800. Both prices reflected the current demand for good jade, particularly from Far East buyers.

In New York over the week end Sotheby's set an auction record of \$285,714 for a pair of 18th century armchairs. They had been made around 1760 and much exhibited.

The Japanese, abetted by the Americans, seem to have fallen in love with the glass of Gallé. At Sotheby's in Monaco on Sunday they were out in force and a large blue vase on a bronze stand, made around 1900, doubled its estimate at \$77,154 while another vase in cream was at the top of its estimate, making \$61,728.

The 20th century decorative arts did better than the earlier furniture which was sought after at the top end but with little interest in items of midling quality. Top price was the \$41,148 paid for a pair of Italian cabinets of the 17th century, with decorated tiles on their fronts. A ladies cabinet made around 1927 by Ruhlmann went to a Paris dealer for \$100,815.

At Sotheby's in Chester tomorrow the most comprehensive collection of West European pottery to come under the hammer for many years is to be sold.

Antony Thorncroft

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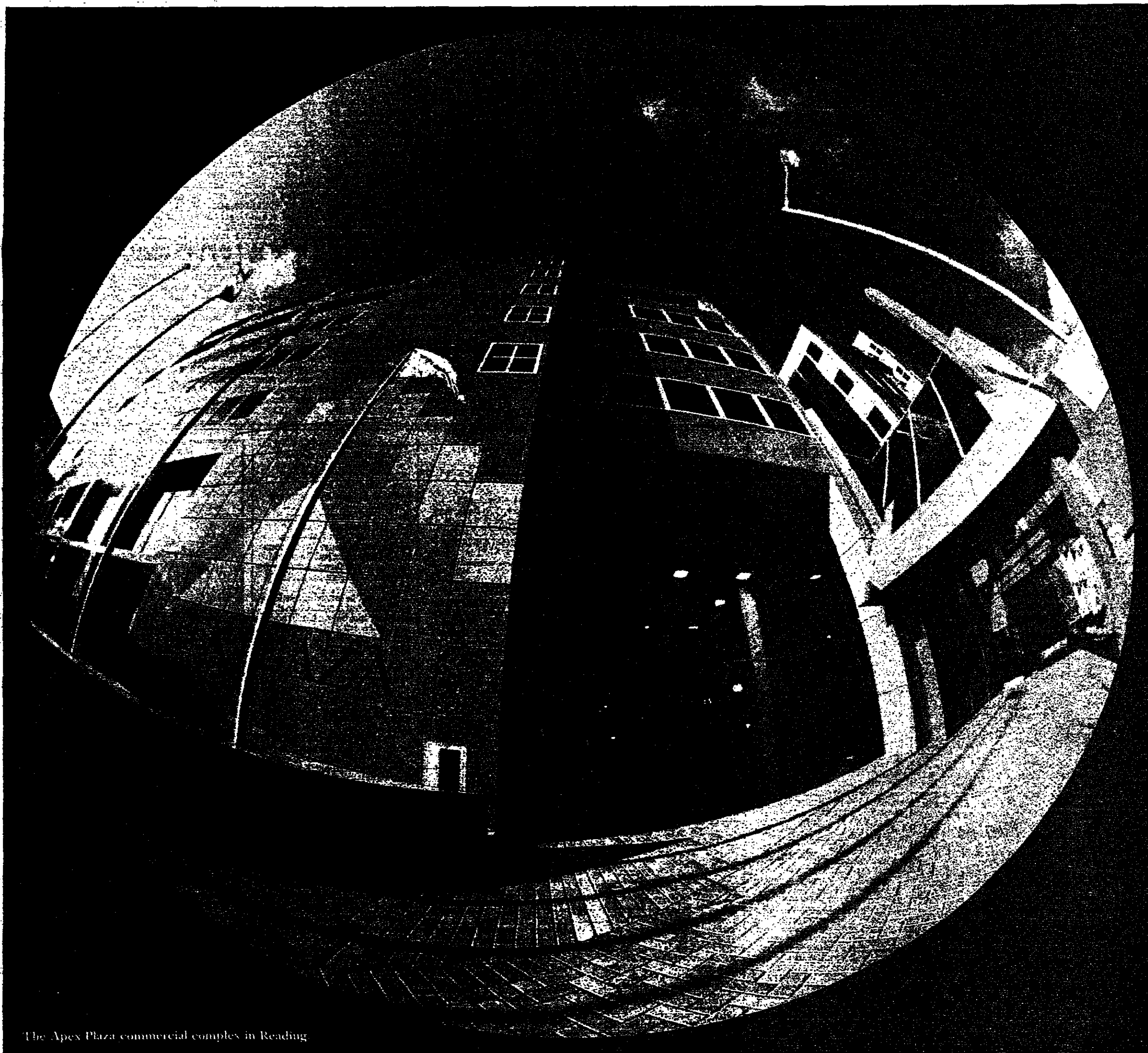
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The Apex Plaza commercial complex in Reading

TAKE A CLOSER LOOK AT TARMAC FOR DIVERSITY AND DEPTH

Confidence in Hong Kong

ANY HOPES on the part of the British Government that Hong Kong and its 5.5m residents could be transferred quietly into China's embrace with no fuss are evaporating.

Hong Kong is unique. The tiny British colony is a vibrant example of the fruits of decades of free trade and imaginative entrepreneurship. Its foundations are that complex of intangibles which make up business and investor confidence. When confidence wavers, Hong Kong totters; if confidence were ever to collapse Hong Kong's prosperity would fall.

Confidence is at present under severe pressure as the British House of Commons Foreign Affairs Select Committee has discovered during a series of emotional public hearings in the colony.

At the root of the anxiety is the impression that Britain and China are making arrangements prior to the transfer of sovereignty in 1997 to suit their own best interests rather than those of the people of Hong Kong. Yet Britain is relinquishing a colony not to independent self-determination but to a communist regime from which many of Hong Kong's inhabitants fled in 1949-50 and which has a poor record in the treatment of its other "acquisitions", most notably Tibet.

Despondency

Two issues are causing the despondency reflected in the meetings with the British MPs. One is the feeling that Britain has moved away from the spirit of the Joint Declaration of 1984 covering its exit from the colony. It has backtracked on its determination to introduce some direct elections by 1988. The timetable for full democracy becomes ever vaguer and more circumscribed. The second is that Britain has closed the escape route should anything go terribly wrong after the Chinese take over in 1997. The Hong Kong people, looking at the increasingly unpredictable situation in China, have been denied the insurance policy of a British passport carrying the right of abode.

Some of Britain's staunchest supporters in the colony

No limits to travel

ERNEST BEVIN once said that he looked forward to the day when he could go to Victoria Station, without a passport, and buy a ticket to "where the 'ell he liked." A conference now going on in London could be a step in that direction.

The London Information Forum has its origins in the Helsinki Final Act, signed by all European states except Albania, plus the US and Canada, in 1975. The Act laid down the principles for security and co-operation in Europe; not only economic co-operation, but also the greater freedom of movement of people and ideas.

By now, it probably requires some explanation. For, paradoxically, the signing of the Act marked the end of a period of détente rather than a new start. The early 1970s were distinguished by the end of East-West initiatives: the eastern policies of Chancellor Willy Brandt of West Germany, the four power agreement on Berlin and the Soviet Union limiting strategic nuclear weapons. Helsinki was part of the pattern.

By 1975, however, superpower relations were again going astray. Most of the East-West negotiations faltered for the next decade. Not until the mid-1980s, with the emergence of Mr Mikhail Gorbachev as the new Soviet leader, did the idea of seeking security and co-operation through diplomacy return to the top of the agenda. The most notable result so far has been the superpower agreement on the elimination of intermediate nuclear forces.

On the table

Meanwhile, the Helsinki Agreement, which is more of a nuts and bolts affair, remains on the table. There have been two follow-up conferences - in Madrid and Vienna - to review the progress so far and to explore ways of further co-operation. An offshoot is the London Forum, which is designed to reduce, if not eliminate, the obstacles to the free flow of information between, and within, the 35 countries which adhered to the Final Act.

Those are ambitious objectives which should not be obscured by saying that the conference is mainly about

Charles Leadbeater on the reasons for the UK's wave of industrial disputes

Fighting over restructuring

The wave of industrial disputes currently gripping the UK conjures up memories of the "winter of discontent" in early 1979, which led to Mrs Thatcher's first election victory.

Is the confluence of these disputes merely a coincidence or are they underpinned by common features? Consider some of the most recent.

Last week a 24-hour strike brought London's underground to a halt for the second time in just over two weeks. Tube workers will soon vote on whether to take more sustained action over proposed changes to working practices.

Yesterday the BBC's news and current affairs programmes were disrupted by a strike. Today leaders of about 100,000 railway workers will decide whether to call a strike ballot over British Rail's final 7 per cent pay offer.

Dockers leaders are proceeding with a strike ballot over the replacement of the national dock labour scheme, electricity workers are balloting on their pay offer, leaders of about 800,000 engineering workers are planning a series of selective strikes for later in the year and university lecturers are planning not to mark exams.

This wave of threatened industrial disruption comes in the wake of last autumn's postal strike, the extended dispute in the National Health Service and the tension at Jaguar, the Midlands luxury car manufacturer which teetered on the brink of a dispute at the start of the year.

The comparison with 1979's winter of discontent is, however, exaggerated. Most of the current disputes are as yet only threatened. Some will almost certainly fail to materialise. Only the docks dispute and the NHS revolt have clear political targets.

And the current unrest does not compare with other periods of industrial conflict during the Thatcher years, such as the 1984-85 miners' and dockers' strikes and the two years of teachers' strikes.

None the less, while the current disputes are not as dramatic as previous moments of conflict, they may be just as significant for the medium-term development of industrial relations. The incomes policy dispute in 1979 was the classic type of late 1970s strike: rising inflation prompting unions to attempt to break through a Government incomes policy, designed to stabilise the macro-economy, in pursuit of higher pay. While the disputes in the late-1970s were about regulating the annual movement of a macro-economic machine, the archetypal dispute of the late 1980s is about the micro-economy - setting the terms for a lasting transformation in the way organisations employ workers to compete more effectively in their product markets.

In the late 1980s the disputes have been over reconstruction, which is the common thread linking the threatened disputes of 1989. Unions challenge employer proposals for fundamental changes in working practices, terms and conditions and collective bargaining - all part of the micro-economy - to improve companies' and public sector organisations' performance in their product markets.

This contest over restructuring also explains why industrial action is likely to come in brief waves, concentrated in some sectors of the economy, and why this is not the first and unlikely the last such wave. For the conditions employers need to win far-reaching changes are becoming less favourable.

The docks dispute is the best example. Employers want to use the abolition of the national dock labour scheme, which has regulated most dock work since 1947, to introduce important changes in manning levels and to move from national to more localised collective bargaining.



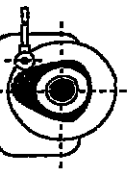
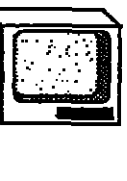
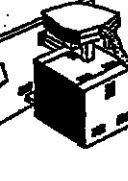

The possible dispute in the electricity supply industry essentially stems from the union's desire to fire a warning shot in advance of the industry's imminent privatisation. The employers want to cut staffing levels, introduce separate bargaining systems for each business division, some plant level bargaining, performance-related pay, profit sharing and an employee involvement programme.

British Rail has already told its unions that it plans to scrap centralised bargaining in advance of privatisation. It is also introducing performance-related pay as part of its drive to improve customer service. University employers also want to scrap the service's old bargaining machinery and introduce more merit pay.

The threatened disputes at London Underground and in the engineering industry are about important changes to working practices. London Underground wants to introduce more driver-only trains and to end the system of promotion by seniority. The engineering talks have faltered over the trade-off between the introduction of more flexible working practices and simpler collective bargaining procedures and cuts in working hours.

Seen in this light the disputes appear linked to the strikes at the beginning of last year, and the disputes in the postal and health services in the autumn. The Ford Motor Company strike last year was about the trade-off between pay and fundamental changes to working practices - away from the traditional production lines and towards work in flexible teams led by blue-collar workers.

The Dover seamen's dispute centred on P & O's determination to break

| Britain in dispute | |
|---|--|
|  Docks Number of workers: 9,400 Unions: Transport and General Workers Union Issue: Abolition and replacement of national dock labour scheme Position: National strike ballot likely to start later this week |  Rail Number of workers: Approx 100,000 Unions: National Union of Railwaymen, Aslef (train drivers), TSSA (white-collar) Issue: 7 per cent final pay offer, changes to collective bargaining in run up to privatisation Position: Rail leaders meet today to consider national strike ballot |
|  Engineering Number of workers: more than 800,000 Unions: AEU engineering union, MSF general technical union, TGWU, GMB general union and EETPU electricians union Issue: Rejection of two-year pay offer from Engineering Employers Federation, of 5.8 per cent a year Position: Unions to consider strike ballot for selective action this summer |  BBC Number of workers: 18,000 of 27,500 strong workforce Unions: National Union of Journalists, BCU (broadcasting union) Issue: Corporation's final 7 per cent offer Position: Series of one day strikes planned |
|  Electricity Number of workers: 70,000 manual workers Unions: EETPU, TGWU, GMB, AEU Issue: 7 per cent pay offer, in run up to privatisation Position: Result of industrial action ballot due May 8th |  Universities Number of workers: 30,000 in dispute of 55,000 strong academic workforce Unions: Association of University Teachers Issue: Final 6-7 per cent pay offer, including merit pay and employers' suspension of old bargaining machinery Position: Ballot for examination boycott, union plans not to mark this summer's exams |

through old manning arrangements for its cross channel ferries in the wake of imminent competition from the channel tunnel. The NHS dispute was about a fundamental restructuring of nurses' pay; the postal strike was about the introduction to regional pay to ease recruitment shortages in a corporation which is attempting to become much more commercial.

But why has the pressure apparently become more intense? Restructuring is much more likely to provoke disputes in the public sector than the private sector. The often cumbersome collective bargaining machinery of the public sector is far less able to accommodate big changes than private sector bargaining.

The integration of industrial relations into business strategies to improve customer service, for instance, through the introduction of performance, merit or profit-related pay, is more of a wrench for the public sector. This is not just a change to pay systems but part of a wider, troubling change of culture from an ethos of public service to commercial competitiveness and resources to buy change.

Thus several of the disputes in prospect - especially rail and electricity - are linked to moves towards privatisation or a further commercialisation of services.

Perhaps most importantly the public sector does not have the private sector's resources to pay for long-term restructuring, while at the same time it constantly has to introduce special allowances in south-east England to combat intense skill and staff shortages. The Post Office's attempts to reform collective bargaining and pay systems have been frequently disrupted by the short-term conflicts produced by recruitment difficulties.

Even when the public sector does have some money for long-term restructuring it is not necessarily effective. The public sector pay review body reports published earlier this year concluded that the restructuring of teachers and nurses' pay had done little to improve morale, recruitment or retention.

The possible coming wave of disputes has a momentum from both sides. From the employers' side it comes from a drive to maintain productivity gains by continuing to reform working practices. On the union side it comes from heightened pay expectations and greater confidence. The economic conditions for restructuring industrial relations has become much less favourable.

The mid-1980s provided a fairly clement climate for restructuring. Unions were still recovering from the blows of the recession and redundancies of the early 1980s. Low inflation, rising productivity and improved profitability in the mid 1980s provided companies with the stability, justification and resources to buy change.

The predictability of stable, low inflation has gone, at least temporarily. Two-year pay deals, which allow companies the time to introduce widespread changes to working practices, are much more difficult to conclude when inflation prospects are uncertain.

Macro-economic instability is making bargaining more unpredictable. A tightening labour market is giving unions more confidence in pressuring employers. Sustained earnings growth of at least 7.5 per cent over most of the 1980s has created strong pay

expectations among workers. Just as the economic conditions have become less favourable for employers so unions have become less constrained by the Government's industrial relations legislation. Unions have become increasingly adept at using the legislation, which requires pre-strike ballots, as a tool in negotiations.

In the wake of the sequestration of the assets of the NGA print union, the National Union of Mineworkers and the National Union of Seamen during disputes, TGWU leaders have closely followed legal advice throughout their preparations for the dockers' ballot in an effort to ensure a strike is beyond legal challenge. Rail union leaders have been holding local meetings throughout the country over the last month in preparation for a ballot. Indeed the Government is considering issuing a formal code, which could significantly tighten up the legislation introduced in 1982. The need for a code suggests the deterrent effects of legislation introduced just seven years ago are wearing off.

As well as being more tactically adept, unions are showing some signs of more careful strategic planning about how they conduct disputes, what risks they are prepared to run and what they want from them.

The Association of University Teachers, for instance, has a ballot mandate for a complete boycott of examinations including setting papers and supervising examination halls. But the union has scaled the action down to a ban on marking in an effort to maintain unity because it believes a split could lead to the union being broken.

Union leaders in electricity and rail see this as a crucial year to warn employers about contemplating radical changes in collective bargaining - changes which the unions fear could marginalise them.

Most strikingly, in the docks dispute, Mr Ron Todd, the TGWU's general secretary, has steered the union away from an unwinnable strike in protest at the Government's plans to abolish the national dock labour scheme, into a dispute with the employers over a voluntary, collective agreement to replace the statutory scheme.

It may still not take place, and if it does the union may not win. But it has at least avoided assured disaster. This may stand as the epitaph for all these disputes. Unions may be in better shape to contest restructuring, thereby limiting or delaying it. But employers are still determined to drive for such changes. The tightening of the labour market in the early 1990s, with the decline in the number of young people, could gradually shift the balance of initiative toward the unions, but it has not happened yet.

None the less, employers may find that - after a period when they have been in a strong position to buy or push for change - they may now be robbed of the stability and predictability they need to embed the changes.

Britain is still some way from a new industrial climate, in which disputes would be about regulating changed practices - profit sharing, performance-related pay, flexible working practices, decentralised bargaining - which had already been embedded. Until that transformation takes place, disputes like those of the last few weeks are likely to continue - most conspicuously in those industries where pressures for change are most firmly resisted.

● Note: The article on this page on Saturday April 22, on the push to create global communications, was omitted to ascribe joint authorship to James Buchanan. The article was in fact written by Anatole Kaletsky and James Buchanan.

The Czechs see red

■ Socialist brotherhood in Eastern Europe is not what it used to be. Hanged from television, bent on using its new found freedom to re-examine history, has managed to make the Czechs see red over an interview with Alexander Dubcek, the former leader condemned to obscurity by his role in the 1968 Prague Spring.

For a series on the future of Eastern Europe and communism, Hungarian television editor Andras Sugar went to interview Dubcek at his house in Bratislava, Slovakia. There he found, to his surprise, Dubcek willing to speak out on the events of 1968 in considerable detail. Dubcek voiced disappointment that Janos Kadar, the Hungarian leader, failed to support him over the Soviet invasion. "I say with sorrow that I was hoping that in the end Kadar would say no (to the invasion)... or that Gomulka (the ex-Polish leader) would find the strength in himself. In my view Kadar and Gomulka ought to have done everything in their power (to prevent the invasion); they are the only ones who could have prevented this measure."

No sooner had the interview been broadcast than the Czechoslovak Foreign Ministry accused the Hungarians of interfering in Czech internal affairs and demanded further material be withheld from Hungarian television. This protest provoked an unprecedented riposte from Sugar via the columns of Uj Szek, the Hungarian language newspaper in Slovakia. "Your present government says that the larger interference with tanks in 1968 was right, something which the single legitimate Government and Czechoslovak Communist Party of the time, the Czechoslovak people, and Uj Szek itself protested against", Sugar wrote.

Sugar then put in the boot: "So while that interference was OK, mine wasn't."

OBSERVER

Wran, former New South Wales Premier. The bank was formed in 1987 with finance from such leading figures as Kerry Packer and the late Larry Adler.

Spy museum

■ Museums are mushrooming in the UK. The latest to open is a museum of espionage. "We carried out informal soundings on Cheltenham's image and although our reputation as a spa town was well known, we discovered a lot of people associated with GCHQ, the government's top secret communications headquarters; and from this grew the idea of a museum about the spy business," says Peter Rollins of the Tourist Board. GCHQ has been in the news ever since an employee, Geoffrey Prime, was found to be passing on to the Soviets sensitive information about British eavesdropping. This prompted the Government in 1984 to impose a controversial de-uniformisation of the staff.

The museum proposal has now gone through a feasibility study and a council owned site, an old granary, has been earmarked. "There are a few more stages to go yet but basically we feel if we can provide the building and then find a sponsor willing to put up about £750,000, the council will give the go ahead," Rollins enthuses.

Aussie's best

■ One of Australia's fastest growing and best connected investment banks, Whitlam Turnbull, popped up as an adviser to Ranks Hovis McDougall in yesterday's £1.2bn bid for Goodman Fielder Wattle. The bank is headed by two of Australia's rising stars - Nick Whitlam, a former chief of the State Bank of New South Wales and son of Gough Whitlam, the erstwhile Australian Prime Minister, and Malcolm Turnbull, who poked enough holes in the British Government's case against Peter Wright, the author of Spycatcher, to win a celebrated case in the Sydney courts. Another director is Neville

Salzburg to the head of West Berlin's Culture Department, Dr Anke Martiny. "I ask you to take note of the fact that as of today I am ending my work as Artistic Director and Permanent Conductor of the Berlin Philharmonic Orchestra," the message began. Dr Martiny said von Karajan's decision was taken for reasons of health and hoped he would be able to bid farewell to Berlin and the orchestra in a suitable manner.

The conductor, who has long suffered from a painful back ailment, has been able to conduct in recent years only while propped on a stool. Von Karajan's relationship with the orchestra proved increasingly controversial, especially after his selection of a woman to join the orchestra which was bitterly opposed by members. This in turn led to his boycott of the orchestra for several months.

Members of the orchestra, nevertheless, have profited mightily from his media company which had exclusive film and television rights to record him with the Berlin Philharmonic. The mantle is not going to pass easily, even though his presence at only seven occasions annually in Berlin gave guest conductors ample opportunity to show their paces.

Cat-call

■ The Chinese students' pro-democracy protests have produced some devastatingly vitriolic poster cartoons of Peking's leaders. One imaginative student has drawn Premier Li Ping as a mad. "Afraid to come out of his shell and face the students". The most cutting is a picture of Deng Xiaoping, the Chinese leader. In an oblique reference to his famous saying "It doesn't matter if the cat is black or white as long as it catches mice", he is shown as a cat, strung up in a noose.

Baton down

■ The ever turbulent position of Herbert von Karajan as lifetime conductor of the Berlin Philharmonic was quietly ended yesterday when the 81-year-old maestro handed over a statement at his home in

YOUR VERY OWN MOTORWAY...



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I would like to know more. To: Fred McLaughlin
The West Lancs Project 1 Westgate Pennine/Lancs Skelmersdale
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THE WEST LANCs PROJECT

LETTERS

Democratic responsibility in the EC

From Mr. Martin Bond.
Sir, Ian Davidson's perceptive article ("Strong tide carries Europe towards unity", April 20) stopped short of the problem of democratic responsibility in an European Community that is moving towards economic and monetary union. Such a move will indeed have "profound political consequences," one of which

will be to highlight the present democratic deficit in decision-making in the European Community.
As national parliaments discover themselves increasingly unable to scrutinise the volume of proposed EC legislation, it becomes increasingly clear that their role in this will have to be subsumed by the European Parliament.

The Single European Act has partially empowered the European Parliament in respect of the bulk of legislation linked to the 1992 programme. As progress in that economic direction becomes irreversible, so the need for more progress on the political and constitutional level will become more pressing. The European Parliament will more and more become a

co-legislator with the Council of Ministers.
The European elections this June already give the electorate across the whole European Community a chance to express their views on just such a development.
Marya Bond,
Head of Information Office,
European Parliament,
2 Queen Anne's Gate, SW1

The Companies Bill in the House of Lords

From Lord Beaverbrook.
Sir, I was more than a little surprised by an article written by your Parliamentary correspondent regarding Lord Young's handling of the Companies Bill in the House of Lords ("Companies Bill fails to reflect on Young", April 22).

As the Department of Trade and Industry spokesman and whip in the last session, when I assisted Lord Young in the passage of the Intellectual Property Bill, perhaps I could explain the real situation.

That bill, like the current Companies Bill, was politically uncontroversial. It was also, again like the Companies Bill, immensely complex. This has two results.

First, the Bill is inevitably subject to some redrafting while in the House of Lords and the House of Commons.

This does not mean that the Bill was in any sense sloppily drafted in the first place, but that the Government is listening to comments from inside and outside Parliament, and responding to them.
Second, given the politically uncontroversial nature of the Bill, the whips have considerable freedom to move it around the Parliamentary schedule to enable them to secure the passage of more controversial legislation.

I know from my many conversations with Lord Young about the current Companies Bill that this rescheduling has often led to clashes with long-planned trade missions.

Since January, Lord Young has visited India, China and the United States, and often the revised dates for the committee and report stages of the Bill have coincided with these visits. In these circumstances should long-standing invitations from foreign governments be cancelled at short notice?

I know that Lord Young has found these decisions most difficult but, sharing your confidence in Lord Strathclyde, he has felt able to delegate, particularly

Harsh light on costs

From Mr. Peter Kreamer.
Sir, None of the 20 private generators mentioned by Mr. Michael Spicer, the junior Energy Minister (FT, April 11), will go forward without a long term contract from a potential customer for electricity.

Assuming this is obtained from an area board company, the quantity involved will be a small percentage of the customer's peak demands. It will nevertheless reduce the total anticipated sales of one of the bulk suppliers. The bulk suppliers will then raise rates to compensate for loss of sales, to cover their high fixed costs.

You cannot have effective competition, in a product you cannot store, to meet peaks in demand. If you squeeze him, the bulk supplier will switch you off. Mr. Spicer should ask Mr. Edward Heath what happens next.

Peter Kreamer,
39 Bell Lane, Elton Wick,
Windsor, Berkshire.

Battle for BMP

From Mr. John Banks.
Sir, Boase Massimi Pollitt (BMP) is still questioning (April 21) whether Young & Rubicam, a private advertising agency, has an interest in BDDP, a Paris-based group trying to purchase BMP.

As you correctly reported, Young & Rubicam has no financial stake in BDDP.

Young & Rubicam France once owned a majority share in a second agency called Snip. When Mr. Jean Claude Boulet decided to leave Y&R it was on very good terms, and we agreed to sell him and his partners our interest in Snip as a

Move it by tube

From Mr. D.A. Coggrave.
Sir, Building more roads for London seems to result only in more room for longer jams. At times when roads are relatively clear of traffic, the weight of goods vehicles is restricted (or vehicles banned) for environmental reasons.

Between midnight and 6am the London underground system is almost unused. At other times, except during the rush hour, there is spare capacity on many lines. Has anyone ever contemplated moving freight on this system?

Suitable containers to run on purpose built bogies could be constructed. Getting the containers to the surface would require expensive engineering work, but if new lines are to be built, this is a feature which might be worth consideration.

D.A. Coggrave,
23 Wentworth Park, NS

Hostility wins

From Mr. Paul Spencer.
Sir, The debate organised by the Association of Corporate Treasurers at the Bank of England was not on the argument that the threat of hostile takeovers is the only way to keep companies efficient (Letters, April 12), but on the motion that hostile takeovers tend to be bad for industry.

Neither Sir James Goldsmith nor Martin Taylor, its opposers, nor any other speakers, advocated that hostile takeovers were the only way to keep companies efficient.

There are, of course, many other ways being demonstrated by companies every day. For the proposition, Sir John Harvey-Jones discussed the differences between the UK/US systems and the Japanese/German systems, and questions of technological innovation.

However, at the end of this well-fought debate, a host of Young & Rubicamists and representatives of the City overwhelmingly voted that hostile takeovers are a very necessary part of the system.

Paul Spencer,
The Association of Corporate Treasurers,
City Innovation Centre,
25-31 Whiskin Street, EC1

Principle may cut two ways

From Mr. Stanley Alderson.
Sir, You report (April 17) that the 80-strong council of the Royal College of General Practitioners has rejected the white paper "Working for Patients," by 59 votes to one.

In the national health service, GPs were to be expected to meet budgetary targets, or else face proportionate financial penalties. In the interests of a healthy economy, do members of the Government also accept this principle?

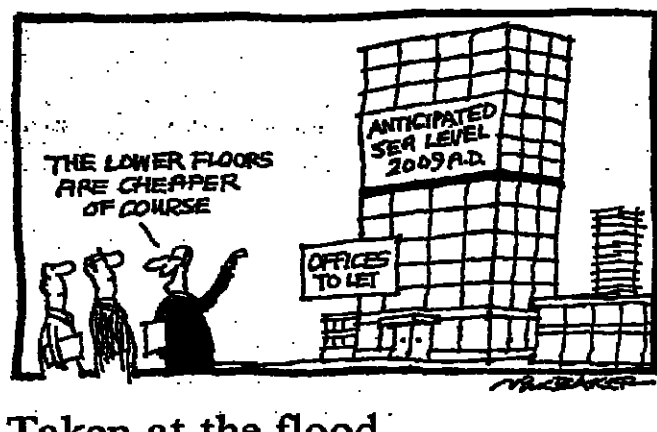
Thus, if the Chancellor of the Exchequer's budgetary targets are not met - inflation rate, international deficit, level of consumer spending, or whatever - can we expect that Government ministers will collectively take proportionate cuts in ministerial salaries?

Stanley Alderson,
7 Highfield Avenue,
Cambridge.

'The CSO will have no greater powers to demand information'

From Mr. J. Hibbert.
Sir, There were some misconceptions about the future role of the Central Statistical Office (CSO) in the letter from Mr. J.L.T. Davies (April 13).

It is true that the CSO will have more people and money in future, but this is being achieved by transferring work on economic statistics from the Department of Industry and the Department of Employment. There will be little change in the overall Government resources devoted to this work.



Taken at the flood

From Mr. John Anderson.
Sir, With reference to Observer's comment ("High Water", April 12) on one of the "greenhouse" effects of rising sea levels, it may interest you to know that already this year our property search department has had two requests to find commercial properties

which should be at least 60 feet above present mean sea level, to avoid the consequences of the "greenhouse" effect.
The clients concerned seem to be quite serious.
John Anderson,
Relocation Management Associates,
46-47 Pall Mall, SW1

The UK deficit in manufactured goods must be tackled

From Sir John Collyear.
Sir, The large and persistent balance of payments deficit in manufactured goods is one of the few economic problems that this Government's otherwise successful policies have failed to solve.

Clearly we cannot expect to have a continuing surplus in all the various sectors of a complex economy like the UK's. From time to time factors external to our own economy will affect them, sometimes favourably and sometimes unfavourably.

But the deficit in manufactured goods (particularly high technology goods) is an endemic and growing problem. If this is not tackled in an effective, lasting way, the UK will be left economically very vulnerable when other sources of surplus are in difficulty.

Our lack of effectiveness is deep seated. The principal cause is our failure to engineer, properly, UK products in a way that provides attractive, functionally competent designs associated with manufacturing technology which ensures quality and market satisfaction with profit. Pursuit of this objective requires a big increase in the funds devoted to research and development (R&D).

As a former chairman of the Technology Requirements Board I have had some close-hand experience of Government attempts to stimulate industrial R&D by the use of grants. While they have been of some benefit, they really have not made a basic change to the way in which a large proportion of manufacturing industry invests in development. Shortage of cash is not usually the problem - it is the short term effect on the "bottom line."

Public limited companies in the UK operate in a financial climate which encourages short term results to be paramount. This comes in part from the highly institutionalised shareholding structure, which performs through fund managers who are themselves often judged on short term results.

They must not be blamed and badgered. They react to the climate. Better communication between industry and the City, although beneficial, is not the solution, nor is exhorta-

tion. Industrial and investment managers have to behave in the climate they are in. Change the climate and they will change.

The financial climatic changes needed will have succeeded when the value decisions of shareholders take more account of intangible investment for the future. (Publishing R&D expenditure would help a little). In addition, the framework for takeovers needs adjusting, so that managers are not inhibited from increasing R&D expenditure (and, hence, reducing immediate profitability) by the fear that a predator can step in and reap profit rewards both by enjoying the benefits from that investment, and by subsequently reducing R&D expenditure. It is as if, for a Government, the Opposition can call a general election at any time.

Debate on the financial climatic changes needed is long overdue.
John Collyear,
Walnut Tree House,
Nether Westcote, Oxfordshire.

FOREIGN AFFAIRS

Liberalism versus nationalism

Edward Mortimer explores the contradictions in Mrs Thatcher's alternative European vision

Edward Heath. I cannot actually reverse it, or at least not now; so I will get what advantage I can out of it to compensate for the disadvantages. But I will do my damndest to see that Britain doesn't get any further entangled in this Euro-nonsense than absolutely necessary.

That version still finds an echo in the gut feelings of many ordinary British people, though probably a decreasing proportion. It also conforms to the public image of Mrs Thatcher not only in Britain but abroad, where naturally it is her resolute, bloody-minded defence of British national

one of them, Prof Pascal Salin. In my country she has a very bad image.
The other reading of the speech takes the Euro-rhetoric in it seriously, and interprets it as a bid to make Thatcherism the economic creed of Europe. This is the interpretation favoured by the French Prime Minister, Mr. Michel Rocard, who is a socialist, albeit a very modern-minded and pragmatic one. Mr Rocard came to London in January to warn us against supposing that any one country could impose its economic doctrine on the Community, which is clearly what he sees Mrs Thatcher as trying to

with the rest of the world would thereby be impaired.

It is this liberal aspect of Euro-Thatcherism which is emphasised by the Bruges Group, whose named members seem to be almost all academics, including high priests of neo-liberalism such as Lord Harris of High Cross and Prof Kenneth Minogue. There is a genuinely international school of economic thought, and most of the continentals who turned up at Bruges on Friday evidently belonged to it. But they of course have no truck with the nationalist aspects of Thatcherism, and some of them insisted even on dropping from the manifesto a proposed reference to the undesirability of submerging "the sovereignty of member states of the Community into some European political unit". They were quite happy to "reject the increasingly interventionist nature of European Commission directives that are being proposed through the misinterpretation of the Single European Act," but some of them seem quite to have been aware that the present Commission is not as interventionist as all that and that much of their manifesto would win its hearty endorsement.

The fact is, as any American constitutional historian could tell you, that federalists and liberals are natural allies. Federalism is a thoroughly whiggish idea: it involves sharing out power between different levels of authority so that each acts as a check or balance against the others. Mrs Thatcher and Mr Lawson dislike European federalism because it implies a check on the authority of the nation-state which they are in charge of. That is the very reason why liberals should be, and increasingly are, in favour of it - until that far-off day when the balance of power shifts in favour of the federal authorities against the national ones.

The trouble with European federalism, in the form it is currently developing, is the famous "democratic deficit": power at the Community level is exercised either bureaucratically by the Commission or, in most significant cases, by bargaining among national governments. The Commission is at least theoretically accountable to the European parliament. The national governments are individually accountable to their respective national parliaments, but not collectively accountable to anyone. That enables them to govern the Community in a more arbitrary and authoritarian way than they can get away with in governing their respective countries. Genuine European liberals should focus their attention on that problem but there, I fear, they will not find Mrs Thatcher an ally.

Alas, 'rolling back the frontiers of the state' conflicts with 'batting for Britain'

interests that attracts attention. It does find an echo in some other European countries, especially France of course. But an echo in that context is not quite the same as support, since nations seem to be in the wings, where there is no pilot in the plane" (evidently a jungle of metaphors too). The other vision, which he himself preferred, was "a piloted Europe, a Europe of free trade and economic competition of course. But one where there are some rules of the game."

Mr Rocard, in other words, sees exactly the things wrong with Thatcher's Europe that the opposition parties see wrong with Thatcher's Britain: market forces, which are healthy and necessary in their place, would be allowed to run wild, instead of being properly regulated by collective authority, and the Community's ability to stand up for itself in competition and argument

Europe 1992: A Challenge and an Opportunity for British Business

Lord Cockfield, Home Secretary, has announced that the UK is now moving towards a single market in Europe by 1992. This is a great opportunity for British business to expand its horizons and to compete more effectively in the European market.

Bosses 'facing sharp shock over 1992 trade bonanza'

BRITAIN'S bosses are living in a dream world and ignoring the reality that the 1992 trade bonanza will bring a sharp shock to their profits.

Exporters not ready for 1992

The majority of UK exporters remain complacent in their attitude towards the 1992 trade bonanza and have not yet begun to prepare for the challenges it will bring.

UK exporters fail to exploit forex facilities

UK exporters are failing to exploit the full range of foreign exchange facilities available to them, which could help them to reduce their costs and increase their profits.

Get set for the single market!

Exporters must be ready for the single market by 1992. This means taking steps to improve their products, services, and marketing strategies.

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Face to face research among a cross-section of European buyers proves that a substantial majority wish to buy goods PRICED IN THEIR OWN CURRENCIES. Back on our side of the Channel, far too few British manufacturers consistently set their prices in any currency other than Sterling.

"Too complicated," they cry; "too risky"; "too expensive to handle, too difficult to administer". Or even "Nobody is interested in helping us with our relatively small volume, low unit value sales".

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FT4

INTERNATIONAL COMPANIES AND FINANCE

Sun Alliance to tighten nominee shareholder rules

By Nick Bunker in London

CORPORATE raiders or potential bidders could be blocked from secretly building up sizeable stakes in Sun Alliance, the UK composite insurer, if the company wins its shareholders' approval for a change it wants to make in its constitution.

If the measure is given the go-ahead at an extraordinary general meeting on May 17, Sun Alliance will be able to disenfranchise any nominee shareholder that fails to disclose within 28 days the beneficial ownership of shares it controls.

Mr Henry Silver, Sun Alliance's company secretary, said the measure might be "a piece of useful machinery. Sun Alliance has no present need, but in the future who knows? None of us is inviolate these days."

The proposal comes at a time when the UK's composite insurers are acutely sensitive to the possibility of predatory

foreign investors accumulating large holdings of their shares, not least because of the possibility of large-scale takeover bids in the sector in the run-up to the creation of a single European insurance market.

Only 18 months ago, in late 1987, the Adelaide Steamship investment group used a chain of 17 nominee companies based in a Sydney department store to acquire 4.7 per cent of Sun Alliance's fellow composite, Commercial Union.

The disenfranchisement clause says Sun Alliance can "remove all rights and privileges" to vote from any nominee shareholder that fails to reply within four weeks to a notice sent out by the company under Section 212 of the 1985 Companies Act. Section 212 notices require nominee shareholders to disclose their beneficial ownership.

The Sun Alliance proposal is contained in a single para-

graph of a complex 46-page legal document posted to the group's shareholders yesterday. It gives details of a plan to restructure Sun Alliance around a new holding company, Sun Alliance Group.

It also outlines 13 ways in which the new holding company's articles will differ from those of the current Sun Alliance & London Insurance.

Mr Silver said the idea was to use the restructuring as an opportunity for a general update of Sun Alliance's articles, which mostly date from 1969 when the group was created from a merger of the Sun Insurance Office and the Alliance Insurance Company.

Significantly, though, the Sun Alliance disenfranchisement clause is almost identical to a similar anti-corporate raid measure adopted in the articles of another UK insurer, London & Manchester, in December 1987.

Chemicals industry hopes for 'soft landing'

Peter Marsh on the outlook for synthetics prices after the recent upward movement

Purchasers of chemicals across a range of industries are hoping for a "soft landing" to bring to an end the price explosion that has affected many basic synthetic materials over the past two years.

"In 1988 there was a great whoosh in chemical prices," says Mr John Phipps, a manager at Tencen, a London-based chemicals consultancy. "We ought now to be in for a period of stability."

In the past few weeks, there have been some signs of this happening. Prices of commodity plastics such as polypropylene, polyethylene and polystyrene have started to soften in a major break with the generally upward movements of the past two years.

For some buyers of chemicals the price rises have led to a doubling in raw materials costs in the past two years. In many, though not all, sectors, purchasing industries have generally been able to pass on these extra costs to the final consumer.

The price eruption has its roots in the good economic conditions in many industrialised countries. There has been strong demand from many big users of chemicals, which include the consumer-goods, vehicles and building industries.

About half the output of the world's \$1,000bn-a-year chemicals business is sold to other sectors of manufacturing industry rather than to final consumers.

An additional factor has been a worldwide shortage of manufacturing capacity in several basic chemicals. These include ethylene, an oil-derived

gas which is a basic building block for many other chemicals used throughout industry; commodity plastics; and a range of intermediates used to make artificial fibres.

A number of the big guns in the chemicals sector have benefited from the price escalation, chalking up record profits over the past two years.

However, the big chemicals businesses are unhappy about any talk of their profiteering from the buoyant demand.

Managers say that prices for commodity materials hit rock-bottom in the recession of the early 1980s. During this period many commodity-chemicals operations were losing money and the chemicals sector as a whole was in deep trouble.

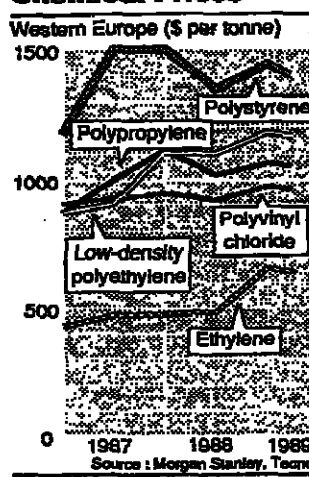
The price movements since 1987, in the eyes of much of the synthetic-materials industry, have restored the sector to a more balanced position.

There is now some concern among chemicals executives that the current rash of plans for new commodity-chemicals plants, which has been spurred on by the healthy demand for chemicals, may disturb the good times.

In combination with a widely expected slowdown in the world economy over the next year, the new plants could lead to over-capacity and consequent price spirals. That could plunge the industry once again into gloom.

"What most people are hoping for is for prices to follow what you might call a Lawsonian glide path, in which they come off their peak but settle down in a balanced way," says Mr Peter Driscoll, who works for Consultants International,

Chemical Prices



a UK consultancy.

Discussion of the price shifts is complicated by the hundreds of basic chemicals affected and the tangled nature of the production routes.

A further complexity is the lack of formal markets for even the most widely traded commodity chemicals. Prices for these substances are generally decided on in informal telephone conversations between buyers and sellers.

Together with ethylene and other oil-derived materials including toluene and benzene (which are used in a range of industrial chemicals) widely traded bulk chemicals also encompass products made from feedstocks other than petroleum.

Despite the relatively haphazard way in which chemicals prices are decided, sums charged for the main chemicals

in specific geographical regions tend to cluster around the same levels, regardless of suppliers.

However, there can be significant differences between prices in the main industrial blocs of Western Europe, Japan and the US, due to different trading conditions.

Sums charged by suppliers may also vary depending on whether the buyers contract for a consignment of chemicals several months in advance or buy on the spot market for immediate delivery. In today's tight market for chemicals, spot prices are often significantly higher.

Specific factors that can influence sums charged for chemicals include heavy purchases from large customers. Last year, China was a big purchaser of many bulk plastics and fibre intermediates from the West, a factor that helped keep up prices.

In 1989, purchases from China have been lower, which has been one reason for the slackening in the market.

Plant shutdowns and unusually heavy demand for materials such as gasoline products which may be made in the same manufacturing process as specific chemicals - examples include benzene and toluene - can also influence price movements.

Ethylene is made at an annual rate of some 50m tonnes, some 60 per cent of which is used as feedstock for big-selling plastics such as polyethylene and polystyrene. European contract prices are now about \$700 a tonne, double the figure at the end of 1987, while US prices have followed a similar upward trend.

The changes in ethylene pricing have been especially good news for Dow Chemical, Exxon and Union Carbide of the US, Canada's Nova and the Anglo-Dutch Shell - the world's five biggest ethylene suppliers.

Commodity plastics have followed the general upward price movement, as have other some what more specialised chemicals used to make acrylic, nylon and polyester fibres. Major intermediates that feature in fibre production include terephthalic acid, dimethyl terephthalate, caprolactam and acrylonitrile.

Due to the difficult times for much of the textiles sector, the main purchaser of fibres, fibre producers have generally not been able to pass on their higher raw-material costs to customers - and thus have suffered. "The fibres people have been tanned over the past two years," says Mr Driscoll.

Fibre-makers that buy most of their intermediates from outsiders rather than producing them themselves have been particularly hard hit by the price changes. Chemical groups in this position - which are only marginally "backwards integrated" and which as a result have missed out on at least some aspects of the recent profits boom - include Akzo of Holland and France's Rhône-Poulenc.

The packaging industry, another big user of chemicals, has generally been able to pass on the higher costs, according to Ms Rowena Mills, a London-based packaging consultant. Even so, she says, some companies in this sector have suffered from the higher costs. "They are hoping for more settled times in 1989," she says.

Sulzer predicts rapid growth

By John Wicks in Winterthur

SULZER Brothers, the Swiss engineering group which has fought a number of battles with dissident shareholders since 1987, expects the next few years to usher in a period of rapidly growing profits.

Mr Fritz Fahrni, chief executive, said yesterday that Sulzer was capable of doubling group profits "within the next three to four years."

Orders in the first quarter of 1989 had increased by more than a tenth to Sfr1.57bn

(\$962m), said Mr Fahrni. He said net profit for this year would improve upon the Sfr78m turned in for 1988.

Mr Fahrni, speaking at the company's annual meeting, said costly restructuring undertaken last year would help Sulzer to achieve its medium-term profit forecasts.

Orders for the whole of 1989 were expected to maintain the progress of the first quarter, but annual turnover would grow at a slower rate than the

17 per cent achieved for 1988. Sulzer is to hold negotiations with Omni Holding on whether to register 20,000 shares that Omni recently bought from Mr Tito Tettamanti, the Swiss lawyer turned financier.

The board intends to review its corporate statutes in respect of share registration. Although there were no plans to change the system, there were hints that the tight restrictions on registration might be relaxed.

Groupe de la Cité boosts sales 8.7%

By George Graham in Paris

GROUPE DE LA Cité, France's second-largest book publisher, has reported net profits last year of FF277m (\$44.18m), or FF355m including an extraordinary gain on the sale of a headquarters building.

The group said the comparison with Presses de la Cité's 1987 results was meaningless because of the merger last year with the publishing activities of CEP Communication,

but sales had increased on a pro-forma basis by 8.7 per cent to FF4.96bn.

France Loisirs, the highly profitable book club in which Groupe de la Cité has a 50 per cent stake, contributed around 60 per cent of earnings, company officials said.

The old Presses de la Cité was almost entirely dependent on France Loisirs.

CEP's contribution to the

marriage, including the famous Larousse dictionaries and encyclopaedias, and Nathan educational books, was more profitable.

CEP Communication itself yesterday reported a net profit of FF273m (\$43.54m), or FF243m excluding its share of Groupe de la Cité's extraordinary gain.

It said sales had risen 32 per cent to FF4.24bn.

AMB lifts earnings 16% and forecasts further rise

By Haig Simonian in Frankfurt

AACHENER und Münchener Beteiligungs (AMB), the holding company for the Aachener und Münchener insurance group, will report net profits up by 16 per cent to DM64.6m (\$34.9m) for 1988 from DM55.3m the previous year when it publishes its full results later this year. A further increase in earnings is forecast for 1989.

The rise stemmed largely from improvements at subsidiary companies, which include Bank für Gemeinwirtschaft (BfG), in which AMB bought a majority stake in 1987.

Partial operating earnings at the bank are set to rise by more than 25 per cent from the DM136.4m made in 1987, due to an increase in interest earnings and a fall in costs. The bank will not report its precise figures until this summer.

AMB is also seeing the fruits of the increasingly close links between its banking and insur-

ance subsidiaries, with the insurer predicting substantial extra premium income due to marketing of its products by BfG this year.

According to forecasts based on first-quarter figures, BfG should generate a minimum of DM20m in property and casualty premiums and at least DM6m in health insurance premiums this year. Life insurance and home finance products - both measured in terms

of aggregate contract sizes - should amount to at least DM1bn and DM200m respectively.

However, despite the improvement in profits last year, BfG's contribution to AMB's group earnings in 1988 remained virtually static at just below DM40m.

The AMB group, which is paying an unchanged DM12.50-a-share dividend for 1988, plans to increase its authorised cap-

ital by DM110m. The company says the measure, which could enable it to raise up to around DM1.5bn via a rights issue based on its current share price, does not mean it has any takeover targets at present.

The group, which has bought a stake in Volksfürsorge, Germany's third biggest life insurer, and expanded in France and Spain in recent months, says it wants to concentrate on organic growth.

MINORCO

OFFER FOR CONSOLIDATED GOLD FIELDS PLC

IMPORTANT NOTICE FOR GOLD FIELDS SHAREHOLDERS

AN ACCEPTANCE MAY ONLY BE COUNTED TOWARDS FULFILLING THE ACCEPTANCE CONDITION IF IT IS RECEIVED BY 1.00 P.M. ON 26th APRIL, 1989 AND IS EITHER:

1. from a registered holder or his personal representative;
- OR
2. accompanied by the relevant share certificate and/or other document(s) of title;
- OR
3. submitted on a Form of Acceptance certified by The Stock Exchange;
- OR
4. submitted on a Form of Acceptance certified by Gold Fields Registrar (Lloyds Bank plc, Registrar's Department).

To be treated as valid, companies must execute Forms of Acceptance under seal.

*Only up to the amount of the registered holding and only to the extent that the acceptance relates to shares not taken into account under 1 or 4 above.

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THE INCREASED OFFER WILL CLOSE AT 1.00 P.M. ON WEDNESDAY, 26th APRIL, 1989*

*The increased offer becomes or is declared unconditional as to acceptances on 26th April, 1989 if a company provides for acceptance for no less a further 14 days.

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New Issue

All these securities having been sold, this announcement appears as a matter of record only.

April, 1989



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Ogilvy is on the move worldwide

As Ogilvy & Mather enters its fifth decade in the U.S., The Ogilvy Group is on the move worldwide.

Its Annual Report shows record profits for 1988, and \$560 million in new business. It now serves more international clients than any of its competitors.

And Ogilvy's move next month into centralized headquarters in Manhattan's Worldwide Plaza reflects vigorous growth in the 1980s and bright prospects for 1989 and beyond.

Read on for latest developments.

There's a lot going on throughout The Ogilvy Group these days.

Our Annual Report for 1988, just out, shows the company reaching new highs in revenues, profits, earnings per share, and dividends.

New business is coming in at a rate of about \$10 million a week—\$560 million last year, \$185 million so far in 1989. (\$368 million came in last year as 1045 new assignments from present clients—1045 votes of confidence.)

Ogilvy keeps on winning a healthy assortment of the more serious creative awards, confirming its reputation as an intensely creative organization.

A strategy for future growth is both ambitious and realistic. It addresses changing client needs and what it takes to meet them—what it takes to sell products today and to build and nurture enduring brands.

The Ogilvy Group is fortunate in having unusually stable management and a corporate culture that provides a true partnership around the world.

And as if to give personal impetus to the company's thrust, next month 1489 employees in New York will start moving into new headquarters in midtown Manhattan's Worldwide Plaza. This efficient new office complex provides attractive real estate terms and places under one roof diverse Ogilvy operations that have been outgrowing facilities scattered around town.

Innovations in client service

David Ogilvy says he believes that "the purpose of everything we do should be to improve our services to clients." Earlier this month Ogilvy & Mather Worldwide, the largest unit in The Ogilvy Group, announced organizational changes designed with that goal in mind.

These innovations will improve our service to the growing group of clients who employ two or more of our services in advertising, direct response, public relations, and sales promotion. A new position, the Client

Service Director, will represent no single discipline or office. His or her mission will be the solution of a client's problems and the building of its brands by whatever means may be appropriate.

38% of revenues outside advertising

The new organization reflects the changing nature of our business. Forty years ago, when the company opened its doors in the United States, 100 percent of its business was in advertising. Today 38 percent comes from our other creative and marketing services.

Ogilvy & Mather was among the first to realize the full implications of direct response as a complement to mass marketing. Ogilvy & Mather Direct is now the largest such firm in the world, and the acknowledged leader creatively.

The Ogilvy Public Relations Group is another booming operation with revenues up 25 percent in 1988.

Promotional Campaigns around the world and the SAGE group in the U.S. provide a unique cluster of services to help clients at the retail level.

To better understand the consumer, we purchased Research International in 1987; we then acquired two major U.S. firms, Decisions Center and Cambridge Reports. The three make up the leading custom market research firm in the world.

Our plans for growth concentrate on these five core services. They allow us to work with our clients from the beginning of the marketing process to the purchase that comes at the end. With this capability we believe we can help build brands more effectively than our competitors.

50 clients in five or more countries

Industry figures published in *Advertising Age* show that Ogilvy & Mather works for 50 clients in five or more countries, compared with 34 for its closest competitor. In 1988, 54 percent of our revenues came from outside the United States.

Our network now consists of 356 offices in 53 countries, including:

- 126 advertising agencies
- 59 direct marketing companies
- 53 public relations companies
- 26 retail marketing services and promotion companies
- 42 marketing research companies

Despite this rapid worldwide expansion, we see size as no object in itself. "We are not in the business of putting dots on a map," says Chairman Ken Roman. "We will go only where our clients go and where we can run a healthy, first-class operation. We are committed to service, not size. In David Ogilvy's words, megamergers are for megalomaniacs."

Awards that count

The Ogilvy Group, like most of its leading competitors, wins dozens of awards every year for its creative work.

We attach special importance to the Direct Marketing Association's international Echo Awards which take into account hard evidence of results as well as creative qualities. Ogilvy & Mather Direct won nearly 25 percent of all 1988 Echos—four times as many as the number two firm.

Effectiveness is the sole criterion for the awards given by the U.K.'s Institute of Practitioners in Advertising. In 1988, Ogilvy & Mather won the Grand Prix for television, for Winalot Prime dog food.

Another prize that counts is the Stephen E. Kelly Award, given by U.S. magazine publishers to the one campaign each year that makes the most creative use of magazines. In 1988 Ogilvy & Mather won the Kelly for the fourth time in the seven years of its existence.

Separate agencies in The Ogilvy Group have developed outstanding creative reputations of their own. These include Scali, McCabe, Sloves, a network of 16 offices in 9 countries; and Cole & Weber in the Pacific Northwest.

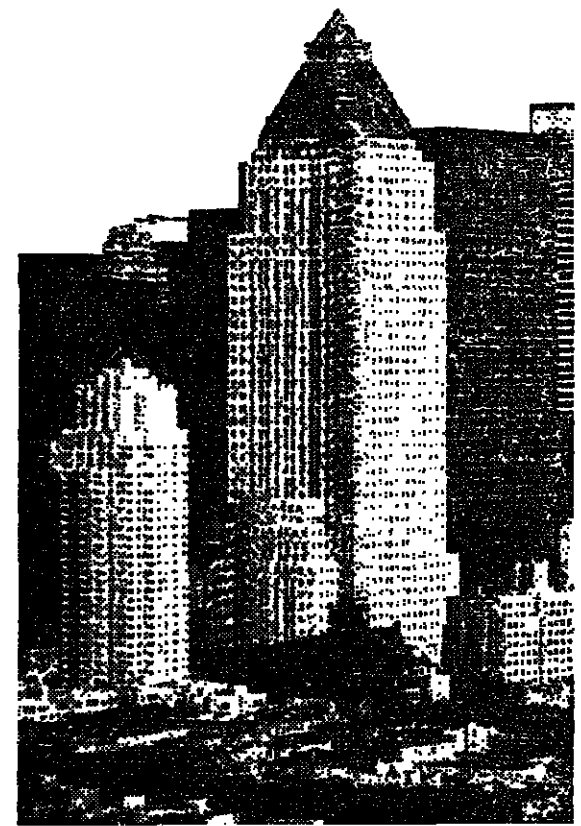
The real story about margins

Here are the facts about the 1988 profit margins of The Ogilvy Group:

- In advertising, our largest business,



Directors of The Ogilvy Group: Kenneth Roman (left), Chairman; Alexander Brody, President, International, Ogilvy & Mather Worldwide; Norman C. Berry, President, Creative, OMW; Graham Phillips, President, North America, OMW; and John Gill, Treasurer and Secretary. Their length of service to the company averages 18 years.



Move to new headquarters. Starting next month, the first 13 floors of New York's new Worldwide Plaza (above) will house six Ogilvy units that are now working out of four Manhattan locations.

operating margins were 9.7 percent. While it's hard to make direct comparisons for business segments, we believe that this is among the very top performances for publicly held international agencies.

- In direct response and public relations, our margins are higher than they are in advertising.

- Our margins for our retail and sales promotion businesses overseas are well above our 9.7 percent advertising margins. In the U.S. they are lower—a direct result of investment in the SAGE group of companies, an ambitious addition to our marketing services.

- In our research businesses our margins are below our advertising margins. In part this is because of accounting procedures in the research industry, in part due to restructuring the business since its purchase by The Ogilvy Group. We expect sharp improvement in research margins in 1989.

Prospects for 1989: healthy growth

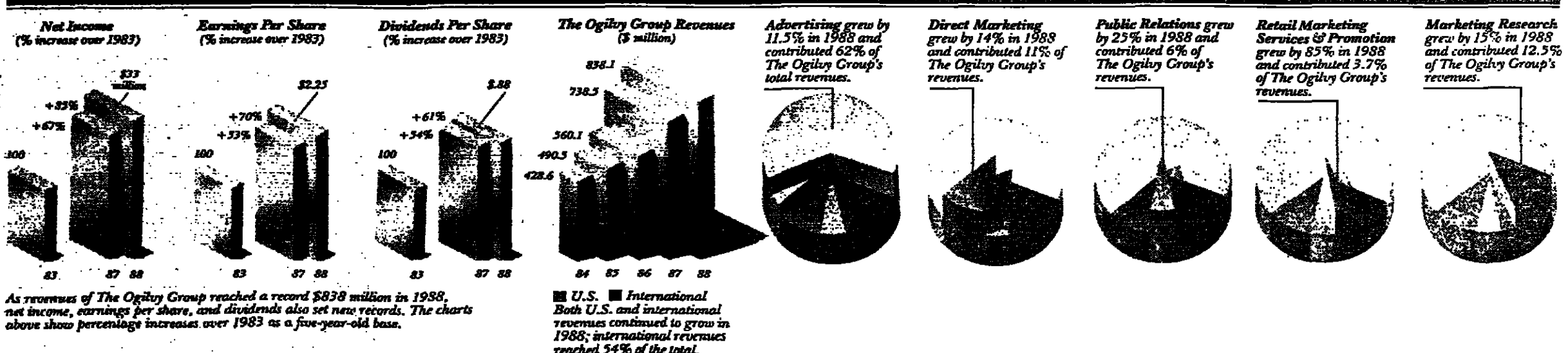
With the company on the move on so many fronts—creative, organizational, international, financial—we expect record profits again in 1989, as well as further improvement in margins.

Among the reasons for this expectation is our practice of mixed farming—maintaining a healthy balance between U.S. business and international business, between advertising and other disciplines, between local and worldwide accounts.

The Ogilvy Group is in fine enough balance on all these scales to adjust to whatever changes in the marketplace may come our way. The company is poised to enter the 1990s under a full head of steam.

For a copy of The Ogilvy Group's Annual Report for 1988, write to Toni Maloney at Two East 48th Street, New York, N.Y. 10017; after May 12, at The Ogilvy Group, Worldwide Plaza, 309 West 49th Street, New York, N.Y. 10019-7399.

The Ogilvy Group



INTERNATIONAL COMPANIES AND FINANCE

Sears, Roebuck profits soar 56%

By Roderick Oram in New York

SEARS, ROEBUCK has reported sharply higher earnings thanks to the first fruits of its new low-price retailing strategy and strong earnings from its insurance and financial services operations.

Net profits of the world's largest retailer rose 56 per cent to \$257.7m or 70 cents a share for the first quarter to March 31, from \$164.9m or 43 cents a year earlier. Revenues rose 11 per cent in the quarter to \$12.16bn from \$10.96bn.

A one-time gain from an accounting change made the final net \$209.1m or \$1.37 a year ago. The 1988 quarter also included \$25m in losses from discontinued operations.

Mr Edward Brennan, chairman, said the favourable outlook for consumer spending on goods and services should stimulate further growth of Sears' businesses.

The group's merchandise sector turned in first-quarter net income of \$33.8m, against \$18.7m a year earlier before the accounting gain. Revenues rose 12 per cent to \$6.76bn from \$6.04bn, paced by a 16 per cent rise in March after the company implemented its new strategy.

In an effort to revitalise its flagging performance, Sears laid out a restructuring plan last autumn which included streamlining its bureaucracy

and switching from periodic sales to "everyday low prices."

"We are delighted with consumer response," Mr Brennan said. Merchandising revenues were also boosted by Western Auto Supply, a vehicle parts retailer Sears acquired in April 1988.

The group's Allstate Insurance division reported net income of \$24.9m, up 45 per cent from \$16.8m which included \$27m of losses from discontinued life-health operations. Increased investment income and better underwriting results contributed to higher profits. Revenues rose 11 per cent to \$4.16bn from \$3.73bn.

Sears' Dean Witter Financial Services group reported net income of \$37.4m against \$23.3m on revenues of \$966.9m against \$919.7m. Income from securities-related business contributed \$21m against \$16.1m.

The Discover credit card operations reported profits of \$20.1m compared with \$6.4m a year earlier after a long period of start-up losses.

The company's Coldwell Banker Real Estate division reported a loss of \$16.2m, compared with a loss of \$600,000 a year earlier on revenues of \$310.7m against \$274.1m. The larger loss reflected the timing of the sale of some shopping centres.

Strong opening quarter for ITT

By Karen Zagor in New York

ITT, the biggest US conglomerate, yesterday reported strong first-quarter results with gains in most of its diverse businesses.

Net income increased by 12 per cent to \$900m or \$1.49 a share from \$799m or \$1.25 a year ago. Revenues rose 6 per cent to \$4.8bn from \$4.5bn. The 1988 sales figures were restated to reflect a new insurance accounting standard.

The New York-based company said that all its services businesses, apart from the Hartford insurance group, showed an increase in operating income during the quarter. The Hartford was hit by a general downturn in domestic property and casualty underwriting.

ITT said that its Sheraton hotel chain had strong gains because of "favourable hotel occupancy and pricing trends, predominantly in Europe and Asia."

Rand Araskog, chairman and chief executive, said: "Despite evidence in the first quarter of the continuing downturn in the property and casualty insurance business, the year is off to a good start."

Berlusconi 'not in merger talks'

MR SILVIO Berlusconi is not involved in negotiations to merge his media empire with the department store group La Rinascente, according to a Berlusconi aide, Reuters reports.

The comments follow an article in yesterday's Financial Times which suggested that preliminary talks were under way between Berlusconi's media empire and the Agnelli family which controls La Rinascente.

However, Mr Dario Rivilto, the aide, confirmed that Mr Berlusconi was seeking potential partners to create a Europe-wide retail distribution group.

"Berlusconi has frequently told the Agnelli group of his desire to acquire Rinascente, or to reach some other form of accord," said Mr Rivilto. But he added that there had been no recent discussions on the subject.

Fininvest, part of the Berlusconi group, acquired Standa last year. Standa, recently reported a net 1988 loss of \$42.1bn (\$31m), against a \$24.4bn profit in the previous year.

Contrasting performances by US chemicals groups

By James Buchan in New York

UNION CARBIDE and Monsanto, two large US chemical groups, yesterday reported contrasting profits performances in the first three months of the year because of their different product markets.

Carbide, which is leading the US industry in profits growth as it exploits cheap raw materials and strong prices for its basic ethylene and ethylene-derived chemicals, said earnings all but doubled to \$201m.

But Monsanto, which produces more specialised chemicals that have suffered from rising commodity chemical prices, said its net income rose 6 per cent to \$222m.

Carbide, which is based in Danbury, Connecticut, said its earnings after tax rose 99 per cent to \$201m or \$1.37 a fully-diluted share. Sales rose 15 per cent to \$2.24bn.

All the company's businesses

did well. Pre-tax operating profits at the main chemicals and plastics business rose 54 per cent to \$394m, with industrial gas profits up 14 per cent at \$78m and carbon products 40 per cent ahead at \$14m.

But year-on-year growth is slower than in the last three quarters of 1988 and Mr Robert Kennedy, Carbide's chairman, said that some chemicals and plastics prices had begun to "level in the first quarter of 1989."

Monsanto, which has its headquarters in St Louis, increased its net income per share by 15 per cent to \$3.24. The rise was larger than for net income because the company bought in shares.

Sales rose nearly 7 per cent to \$2.7bn. Mr Richard Mahoney, Monsanto's chairman, said demand was strong across all its main product lines and he expected an outstanding

year for the company. "We are very pleased with the way 1989 is taking shape," he said.

The company's best performance came at its Nutrasweet artificial sweetener business, where higher worldwide demand caused operating profits to double to \$74m.

An increase in land under cultivation since last year's drought led to improvements at the herbicide operation while the G.D. Searle drugs company cut its loss from \$26m to \$8m.

Profits from chemicals were down from \$162m to \$130m because of higher raw material costs and the loss of profits from an Australian business, which was sold last year. "We think that raw material costs have peaked and we expect that the chemical company's margins will improve throughout the remainder of 1989," Mr Mahoney said.

Good start for Martin Marietta

By Our Financial Staff

MARTIN MARIETTA, the US space and electronics group, has started the current year on a firm note following strong performances in its two key sectors.

The group, which produces Titan launch vehicles and information systems, lifted net income in the first quarter to \$99.2m or \$1.12 a share from \$90.9m or 96 cents last time on sales marginally ahead at \$1.33bn, against \$1.3bn.

Mr Norman Augustine, chairman, said that the overall results were in line with expectations and supported the board's belief that full-year earnings will show further growth over "normalised" 1988 earnings.

He added: "The increase in first-quarter earnings reflects strong performances by the corporation's two largest groups, aerospace and electronics and missiles."

The backlog at the end of the quarter was \$11.2bn, compared with \$11.1bn a year ago.

In recent years the group has carried out restructuring moves which have resulted in emphasising its strengths in technological areas such as space.

Analysts had predicted that Marietta would show continued earnings growth this year despite the poor outlook for defence spending.

Small reverse for Goodyear

By Anatole Kaletsky in New York

GOODYEAR, the leading US tyre and rubber company, suffered a small decline in profits during the first quarter, largely because of setbacks in the international markets caused by the strengthening dollar.

First-quarter earnings were \$94.5m or \$1.64 a share, 1 per cent down on the \$95.3m or \$1.67 a year ago.

Worldwide sales were 4 per cent higher at \$2.6bn, though most of the increase was recorded outside the group's core tyre business.

Worldwide sales of tyres and

related products increased by 1.9 per cent to \$2.12bn, entirely as a result of higher prices. Unit sales actually declined by 3.7 per cent, Goodyear said. Operating income in this segment fell by 3.5 per cent to \$193.7m because of lower foreign results, which more than offset an improved performance in the US.

General products sales, including chemicals and industrial products, advanced by 15.4 per cent to \$517.7m, but operating income was unchanged at \$65m. This

income was affected by depressed conditions in Latin America.

Analysing its activities by geographical areas, Goodyear said that total foreign sales grew by 1 per cent to \$1bn, but operating income declined by 14.2 per cent to \$121.7m. The stronger dollar, along with Latin American reform measures, contributed to the lower foreign results.

US sales were up by 1.6 per cent to \$1.6bn and operating profits rose by 10.5 per cent to \$136.5m.

NTT rejects Alcatel's figures

By Terry Dodsworth, Industrial Editor

NTT, the Japanese telephone operating company, responded yesterday to claims of protectionism in Japan by rejecting claims that it was not interested in buying equipment from overseas.

Mr Moriji Kuwabara, executive vice-president, dismissed figures produced by Alcatel, the leading European equipment group, as inaccurate. He said that NTT had steadily increased its equipment acquisitions from overseas during the 1980s, after introducing a new international procurement policy in 1981.

Out of total direct equipment purchases of about \$4bn (\$6.8bn) a year, NTT was now buying \$206m, or approximately 5 per cent, from foreign

suppliers, he said. This contrasts sharply with the figure given last week by Mr Pierre Suard, chairman of Alcatel, the largest European telecommunications group.

Suard said that NTT was only acquiring 1 per cent of its annual supplies from non-Japanese companies.

Mr Kuwabara also dismissed Alcatel's suggestion that it only bought 0.1 per cent of its products from European suppliers, although he confirmed that the majority of NTT's purchases was from North America. European companies, he claimed, supplied about 0.4 per cent of NTT's annual equipment needs.

The argument between the two companies comes when

telecommunications equipment suppliers are jostling for position in overseas markets following moves towards deregulation around the world.

Mr Suard argues that Europe must be careful in this process not to weaken its domestic manufacturers by allowing unlimited access to American and Japanese producers. Both Japan and the US, he claims, are protectionist in their telecommunications sectors.

Mr Kuwabara said in London that European companies had not been as aggressive as their US counterparts in trying to enter the Japanese telecoms market.

They appeared to have been discouraged by language and cultural barriers.

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

21st April, 1989



SHIROKI CORPORATION

U.S.\$90,000,000

4 7/8 per cent. Guaranteed Bonds 1993

unconditionally and irrevocably guaranteed by

The Mitsubishi Trust and Banking Corporation

with

Warrants

to subscribe for shares of common stock of Shiroki Corporation

Issue Price 100 per cent.

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Mitsubishi Trust International Limited

Banque Paribas Capital Markets Limited

Baring Brothers & Co., Limited

BNP Capital Markets Limited

Dresdner Bank

Interallianz Bank Zürich A.G.

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UBS Phillips & Drew Securities Limited

S.G. Warburg Securities

Yamaichi International (Europe) Limited

World pulp prices aid growth at Repap

By Robert Gibbens in Montreal

THE STRENGTH of international pulp prices helped Repap Enterprises to maintain profits growth in the first quarter, while companies with large newsprint production bases have been reporting lower earnings.

Repap, with major pulp mills in Eastern and Western Canada and coated paper mills in New Brunswick and Wisconsin, reported net income of \$34.7m (US\$20.8m) or 47 cents a share, up from \$31.8m or 35 cents a year earlier on sales of \$326.4m against \$325.6m.

Fletcher Challenge Canada, an integrated forest products group with a large newsprint component, reported first-quarter net profits of \$36.1m or 60 cents a share, down from \$45.4m or 78 cents on sales of \$335.5m against \$335.5m.

Newsprint and lumber markets softened but the company also benefited from higher pulp prices. Profit for all 1989 will not match the peak level of 1988, it warned.

Higher base metal prices brought doubled profits for Cominco, the Vancouver-based

mining and metals group controlled by Teck Corporation and two large international metals companies.

First-quarter net was \$70.5m or 85 cents a share, up from \$61.9m or 35 cents a year earlier, on revenues of \$334.4m, against \$333.3m.

Cominco is the former mining and metals arm of Canadian Pacific.

TransCanada Pipelines saw improved first-quarter results from its gas transmission business. It lost \$1.5m on 143 upstream oil and gas division

increased because of lower oil production. Overall group first-quarter earnings were \$24.7m or 16 cents a share, up from \$21.2m or 13 cents.

Shareholders at the annual meeting in Toronto were expected to approve the company's spin-off of its Envor Energy upstream business. BCE, Canada's largest holding company, owns 49 per cent of TCPL and approves the plan creating a separate gas utility and upstream oil and gas company. It will own 49 per cent of the new Envor.

ALLIANCE LEICESTER

Alliance & Leicester Building Society

£300,000,000

Floating Rate Notes 1994

Notice is hereby given that the Notes will bear interest at 13.3925% per annum for the interest period 24th April, 1989 to 24th July, 1989.

Interest payable on the relevant interest payment date, 24th July, 1989 will amount to £166.95 per £5,000 Note and £3,339.95 per £100,000 Note.

Agent Bank:

Morgan Guaranty Trust Company of New York

London

KANSALLUS-OSAKE-PANKKI

(Incorporated with Limited Liability in Finland)

US \$100,000,000

Subordinated Floating Rate Notes due July 1997

In accordance with the terms and conditions of the Notes, we hereby give notice that the next interest payment date will be July 1, 1989.

Annual interest rate for the period from April 24, 1989 to July 24, 1989 will be 10 1/8%.

Interest payable will be:

US\$ 200.00 per US\$ 100,000 nominal principal amount for registered notes

US\$ 200.00 per coupon for US\$ 100,000 denomination bearer notes

US\$ 4,000.00 per coupon for US\$200,000 denomination bearer notes

Banknote Générale du Luxembourg S.A. Reference Agent

BRITANNIA BUILDING SOCIETY

£150,000,000

Floating Rate Notes Due 1996

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three months interest period from (and including) 24th April, 1989 to (but excluding) 24th July, 1989, the Notes will carry a rate of interest of 13.4125% per cent. per annum. The relevant interest payment date will be 24th July, 1989. The Coupon Amount per £10,000 will be £334.39, payable against surrender of Coupon No. 11.

Handbook Bank Limited Agent Bank

Banknote Générale du Luxembourg S.A. Reference Agent

CO-OPERATIVE BANK PLC.

(Incorporated in England under the Companies Act 1948 to 1980)

£75,000,000

Subordinated Floating Rate Notes 2000

Holders of Floating Rate Notes of the above issue are hereby notified that for the interest period from 24th April, 1989 to 24th July, 1989 the following information will apply:

1. Rate of Interest: 13 1/8% per annum

2. Interest Amount payable on Interest Payment Date:

£167.51

Per £5,000 nominal or

£1,675.09

Per £50,000 nominal

3. Interest Payment Date: 24th July, 1989

Agent Bank:

Bank of America International Limited

U.S. \$60,000,000

Industrias Peñoles, S.A. de C.V.

Floating Rate Notes Due 1989

Interest Rate 10.8125% per annum

Interest Period 24th April 1989

24th July 1989

Interest Amount per U.S. \$10,000 Note due 24th July 1989 U.S. \$273.32

Credit Suisse First Boston Limited Agent Bank

Banknote Générale du Luxembourg S.A. Reference Agent

INTERNATIONAL COMPANIES AND FINANCE

Koor finds unexpected riches in the Post

Hugh Carnegie on the puzzlingly high bid for the Jerusalem paper

When senior executives of Koor Industries, the ailing Israeli conglomerate, decided to include a majority shareholding in the English-language Jerusalem Post newspaper in a US\$200m asset sale launched to appease anxious creditors, they reckoned its reputation might help to fetch a good price.

Just how good, they are now finding out.

When the 10 bids were opened last week, Koor was astonished to discover an offer of \$20.6m from Hollinger, the Canadian group headed by Mr Conrad Black which also owns Britain's Daily Telegraph.

Previously, a figure of around \$5m had been floated as a likely price for the 55 per cent stake held by Israel Investors Corporation (IIC), a US-based Koor subsidiary. "At first we really thought it might be a typing error," said an adviser to a somewhat chas-

tened rival bidder.

The question now is what led Hollinger to make such a high bid - the next highest was around \$3m - and what plans it may have for the newspaper. Yesterday, Mr David Radler of Hollinger began talks in Israel with IIC, but declined to comment on the bid.

On the face of it, the Post is a modest prospect for an invest-

THE JERUSALEM POST

ment. Its daily circulation is just 25,000, rising to around 45,000 on Fridays. Its asset value is put at near \$3m and it has only managed to break even recently. The paper invested in a computerised editorial system 18 months ago and employs 70 journalists.

But as with other newspapers around the world, it is the less easily calculable assets

which seem to have set the bidding alight.

Since its foundation as the Palestine Post during the British Mandate in 1932, it has built a reputation as an independent Jewish voice which these days takes a liberal line well to the left of Mr Yitzhak Shamir, the hardline Prime Minister. In Israel its influence derives from its sole position as an English-language daily, scrutinised minutely by foreign diplomats and politicians and probably too much by foreign correspondents.

Additionally, the Post is a key source of information about Israel for the big Jewish community in the US. It publishes a weekly international edition which has a circulation of more than 60,000, mainly in the US.

The combination of these factors - especially the possibility of expanding in the US by greater use of satellite

transmission - drew the bidders to the sale. Apart from Hollinger they include Mr Robert Maxwell, the British publisher, acting jointly with Mr Charles Brontman of Canada's Claridge group. Their now modest-looking \$3.5m bid was to be followed by a \$15m plan to make the Post "the voice of world Jewry."

Mr Arye Genger, an Israeli

THE JERUSALEM POST

businessman of a right-wing political hue, is another prominent figure in the bidding. The prospect of coming under the control of him or Mr Maxwell has alarmed the Post staff, who hoped that the Australian Pratt Group, which prints and distributes the international edition of the paper, would win the day.

Now, however, all eyes are

on Hollinger. There is much puzzling in Israel over Mr Black's motives. It is noted that, unlike the other top bidders, he is not Jewish, though some of his top associates are. Even those who see a rationale for a Jewish investor to pay over the odds to secure such an organ of Jewry feel that Hollinger's bid is, in the words of one senior Post executive, "totally out of proportion."

Like other bidders, Hollinger may also want to acquire the balance of the shares currently held by Bank Hapoalim, Koor's biggest creditor, although the bank says it has yet to decide whether it is willing to sell.

All this will become clear to IIC and its masters in Koor this week. For now, Koor, owned by the Israeli labour movement and in debt to the tune of more than \$1.2bn, is delighted that its hunch to strip out the Post holding before disposing of the rest of IIC looks like paying off

NZ securities watchdog delays new ANI report

By Bruce Jacques in Sydney

AN UPDATED balance sheet and financial performance report on Australian National Industries (ANI), the Sydney-based engineering group, is likely to be delayed for at least a week.

The statement, which was expected yesterday, was forestalled by the A\$750m (US\$597.4m) takeover bid launched for ANI on Friday by the Consolidated Press Holdings group, chaired by Mr Kerry Packer.

Mr Neil Jones, ANI chairman, sought immediate approval yesterday from the National Companies and Securities Commission to release the financial information so that the market would be able to make a decision on the takeover offer.

But late yesterday Mr Henry Bosch, the commission chairman, said he was treating Mr Jones' request with caution because of ANI's exposure to the recent collapse of the Syd-

ney merchant bank Spedley Holdings, which was estimated at close to A\$200m.

Mr Bosch said that, since the Spedley provisional liquidator had said that there was no clear idea of the company's financial situation, the commission would want to make sure that the ANI release told the full story.

"I believe the financial situation of the Spedley group is likely to be very relevant to ANI," Mr Bosch said. "Therefore, the commission would be wanting to ask a considerable number of questions about whether or not any statement would be a full statement and one that would not be likely to mislead the market."

Consolidated Press said that in the future it may sell inadequately performing assets of ANI if its takeover bid succeeds. But its takeover document said it planned to continue the ANI businesses for the present.

Bond Corp is questioned over share price drop

THE AUSTRALIAN

Stock Exchange said yesterday it had questioned Bond Corporation Holdings about the recent decline in its share price, Reuters reports from Perth.

Bond Corp's share price fell to A\$1.14 (US\$0.91) yesterday - a low for 1989 - from a closing A\$1.30 on Friday. The company said it knew of no reason for the fall.

Mr Peter Beckwith, managing director, said in a statement: "There is certainly nothing in the affairs of the company or in the knowledge of its directors that would warrant it."

"Quite recently there was a similar fall in a short period of time. Almost certainly that was occasioned by a substantial extent by short-selling," he said. "There must be some prospect on evidence that this is happening again."

Bond Media, owned 51.6 per cent by Bond Corp, also fell to a 1989 low of 30 cents, down from 32 cents on Friday.

Shares in companies associated with entrepreneur Mr Alan Bond have been out of favour, following his unsuccessful attempt to take over Lornie in the UK and worries surrounding an Australian Broadcasting Tribunal investigation into Bond's fitness to hold a broadcasting licence.

Rationalisation lifts Kao profits 14.6% to Y35bn

By Ian Rodger in Tokyo

PRE-TAX profits of Kao, the leading Japanese toiletries group, rose 14.6 per cent to a record Y35bn (Y266.4m) in the year to March, mainly due to rationalisation moves although there was a modest 6.4 per cent rise in sales to Y521.5bn.

The company said sales of cosmetics, facial cleansing creams and household detergents rose, but disposable nappy sales dropped.

Kao last year assumed part of the investments of its European subsidiaries, which caused appraisal losses totalling Y1.1bn.

Nevertheless, parent net profit rose 16 per cent to Y15.4bn. The company is forecasting a pre-tax profit of Y38.5bn in the current year.

On a consolidated basis, net profit in the 1988-89 fiscal year rose 30.4 per cent to Y17.5bn or Y34.93 per share on sales up 11.3 per cent to Y572.2bn.

Minmetals keeps price of New Zealand Steel secret

By Dai Hayward in Wellington

DESPITE TWO requests from the New Zealand Stock Exchange, the price that Minmetals of China agreed to pay this week for New Zealand Steel - believed to be around NZ\$400m (US\$245.2m) - is still secret.

Minmetals insists that the amount it will pay to the receivers of the failed Equicorp investment group for its 30 per cent of NZ Steel, and to the Fisher and Paykel industrial company for the remaining 20 per cent, should stay confidential. The Chinese put this requirement in writing.

F&P said it does not have the power to disclose the price because of this contractual agreement.

The stock exchange requested the information, in line with listings requirements, to keep the market informed.

Mr Lindsay Gillanders, F&P company secretary, said that the price will probably be

revealed after settlement date on June 30.

It has been disclosed that the Minmetals bid arrived after the deadline in the tender but it was accepted because it was so much higher than any competing offer.

The deal is one of China's biggest overseas purchases. It follows similar investments in commodities of which China is a big importer.

These include a Canadian pulp mill, part of an Australian aluminium smelter and forests in the US. Minmetals is now bidding for a large area of New Zealand forests being offered for sale.

The receivers of Equicorp said yesterday the company would be delisted on May 5, Reuters adds.

The New Zealand Stock Exchange suspended trading in Equicorp from this week. The shares last traded at just 1 cent.

WARTSILA

Oy Wartsila Ab's shareholders are summoned to the Annual General Meeting of Shareholders which will be held at 4.00pm on Monday, 15 May 1989, in Helsinki, at Finlandia Hall, address: Karmelininkatu 4.

The General Meeting will deal with the following matters:

1) Matters to be dealt by the General Meeting according to Article 16 of the Company's Articles of Association.

2) A proposal to authorize the Board of Directors for a period of one year as of this General Meeting.

a) to decide on increasing the issued share capital by a new issue in one or several instalments of a maximum of FIM 144,000,000 by offering a maximum of 2,400,000 new restricted and/or free Series 1 shares, or restricted and/or free Series 2 shares of FIM 60 nominal value each, for subscription at a price determined by the Board of Directors and with such subscription terms and conditions as decided by the Board of Directors; or

b) to decide on the issuance of debt instruments convertible into shares or debt carrying warrants to subscribe for shares, in one or several instalments, with the condition that holders shall have the right to convert the debt either entirely or partly into shares of the Company or to subscribe for new shares; and to decide on all the terms and conditions of the debt and the related share subscriptions. The total aggregate nominal value of the shares that can be converted for debt or subscribed for on the basis of warrants may not exceed the total maximum of FIM 144,000,000; or

c) to decide on a combination of the powers given under paragraphs 2 a) and 2 b), provided that the employment of such authorities shall not exceed the total effect of FIM 144,000,000 on the issued share capital.

The proposed authorization shall also include the right to disapply the shareholders' pre-emptive rights in a possible new issue of shares or equity securities offered to nominated participant(s) without regard to the shareholders' pre-emption rights, the pricing of the issue shall be based on market conditions. The financing to be raised is intended to further strengthen the Group's financial standing and its expansion and to allow for acquisitions in the financing of important investments, including acquisitions.

Documents concerning the financial statements and the Board of Directors' proposals for the decisions mentioned in point 2 are available for the shareholders' review at the Company's head office during one week's time prior to the General Meeting. The Company's Annual Report for 1988 will be available for distribution as of 26 April 1989, in Helsinki at the Company's head office, address: John Stenberghin rantaa 2, and at the Arabia shop, Pohjoisesplanadi 25. At request, the Annual Report will be sent to shareholders by mail.

A shareholder who wishes to participate in the General Meeting of Shareholders must register no later than 4.00pm on 11 May 1989, either in writing to Oy Wartsila Ab, P.O. Box 230, 00101 Helsinki or by telephone Helsinki 7095 338. In order to be entitled to use the shareholders' right to vote at the General Meeting by proxy, a respective power-of-attorney shall be delivered to the Company before the end of the aforesaid registration period.

Helsinki, 17 April 1989
Board of Directors

THE REPUBLIC OF ARGENTINA
NEW MONEY BOND DUE 1999

Notice is hereby given for the interest period beginning on April 25th, 1989 and ending on October 25th, 1989. The bond will carry an interest rate of 11 1/4% per annum.

Banco Central de la Republica Argentina
Republic of Argentina Financial Agent.

ALLIANCE ■ LEICESTER
Alliance & Leicester Building Society
£13,000,000

Subordinated Floating Rate Notes due 1998
For the six months 19th April, 1989 to 19th October, 1989, the Notes will carry an interest rate of 13.7625% per annum with an interest amount of £29,031.03 per £1,000,000 Note, payable on 19th October, 1989.
Listed on the Luxembourg Stock Exchange.

Bankers Trust
Company, London

Agent Bank

Le Groupe Mercona Limitée

has sold

Le Groupe Commerce
Compagnie D'Assurances

and

La Compagnie D'Assurances Belair

to

Nationale-Nederlanden N.V.

The undersigned acted as financial advisors to
Le Groupe Mercona Limitée on this transaction.



RBC
DOMINION
SECURITIES INC.



RBC
DOMINION SECURITIES
INTERNATIONAL LIMITED

April 1989

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01-493 8400

ALLIANCE ■ LEICESTER

Alliance & Leicester Building Society
£38,000,000

Subordinated Floating Rate Notes due 1998

For the six months 19th April, 1989 to 19th October, 1989, the Notes will carry an interest rate of 13.7625% per annum with an interest amount of £29,031.03 per £1,000,000 Note, payable on 19th October, 1989.
Listed on the Luxembourg Stock Exchange.

Bankers Trust
Company, London

Agent Bank

Amarc Investment Proprietary
Limited

a wholly-owned subsidiary of

AMCOR

has acquired a 48% interest in

Sunclipse, Inc.

The undersigned acted as advisor to
Amarc Investments Proprietary Limited in this transaction

DONALD ZILKHA & COMPANY

March 30, 1989

This announcement appears as a matter of record only.

Beatrice

A subsidiary of

ONEX corporation

\$40,000,000

Subordinate Notes

AGENT:

MERRILL LYNCH CANADA INC.

INVESTORS:

A Major Canadian Pension Fund
The Canada Life Assurance Company
Confederation Life Insurance Company
Metropolitan Life Insurance Company
Sun Life Assurance Company of Canada
L'Industrielle-Alliance Compagnie D'Assurance Sur la Vie
Crown Life Insurance Company
Royal Insurance Group
Actna Life Insurance Company of Canada

February 28, 1989

Merrill Lynch

INTERNATIONAL CAPITAL MARKETS

Mitsubishi's \$1.5bn issue offers downside protection

tion it is offering investors.

Daiwa was the lead manager of two deals, a \$200m issue for Tokyo Tatemeno and a \$100m issue for Dai-ichi Kangyo Bank.

INTERNATIONAL BONDS

Industry. Both deals carried indicated coupons of 4½ per cent and were quoted by the

A \$500m issue for Toyo Sanki came with an indicated coupon of 4% per cent. The par-priced bonds were quoted by Nomura International, lead manager, at less ¼ bid, well above underwriting fees of 2% per cent. Nomura also led a \$250m deal

Nomura also led a \$250m deal for Furukawa which was trading at less ¼ bid, well inside fees.

Nikko Securities was the lead manager of a \$150m issue

In Switzerland yesterday, a two-tranche convertible issue for Fuji Bank was brought by Swiss Bank Corporation. A Sfr300m tranche was offered to public subscription with an indicated coupon of ½ per cent and a yield to put of 2 per cent, while a Sfr500m zero-coupon private placement came with an indicated yield to put of around 2½ per cent.

Both tranches were trading well outside underwriting fees. The public bonds were quoted by the lead manager at less 3 1/4 bid, against fees of 1 1/2 per cent, while the private tranche were at less 4 bid, against fees of 1 1/2 per cent.

| Borrower | Amount m. | Coupon % | Price | Maturity | Yield | Bank name |
|-------------------------|-----------|----------|-------|----------|-------|---------------|
| US DOLLARS | | | | | | |
| Tokyo Telesone# | 200 | (4½) | 100 | 1993 | 1½/4 | Daifwa Europe |
| Daitien Trading# | 100 | (4½) | 100 | 1993 | 1½/4 | Daifwa Europe |
| Mitsubishi Corp.(#) | 1.50m | (4½) | 100 | 1993 | 1½/4 | Nikko Secs. |
| Alcon Paints | 100 | (4½) | 100 | 1993 | 1½/4 | Nikko Secs. |
| Toyo Sash Co.# | 500 | (4½) | 100 | 1993 | 1½/4 | Nomura Int. |
| Fukuyama Co.# | 250 | (4½) | 100 | 1993 | 1½/4 | Nomura Int. |
| Jardine Strs.Hldg.## | 200 | 0-2 | 97 | 0 | 2/3 | CBSA |
| D-MARKS | | | | | | |
| DG Bank Lux.## | 100 | 0-½ | 100 | 1993 | n/a | DG Bank |
| SWISS FRANCES | | | | | | |
| MOS Food Services(c) | 150 | (½) | 100 | 1993 | n/a | BSI |
| Pul Bank(c) | 100 | (½) | 100 | 1993 | 1½ | BSI |
| Pul Bank##(n) | 500 | 0 | 100 | 1993 | 1½ | BSI |
| Tokyo Telesone##-A(c) | 100 | (0) | 100 | 1994 | 1½/4 | UBS |
| Kawasetsu Kasei Chem.## | 50 | (½) | 100 | 1991 | 1½/4 | BSI |

| US DOLLAR | | | | | | | | | | CLOSING PRICES ON APRIL 24 | | | | | | | | | |
|---------------------|--------|--------|---------|--------|-------|-------|--|--|--|----------------------------|-------------------|--------|---------|---------|---------|------|-------|--|--|
| Change on | | | | | | | | | | Change on | | | | | | | | | |
| STRAIGHTS | Amount | bid | offer | net | week | Yield | | | | | STRAIGHTS | Amount | bid | offer | net | week | Yield | | |
| Canada 7 1/2 % 95 | 140 | 97 1/2 | 98 1/2 | 97 3/4 | 0 | 9.89 | | | | | Canada 5 1/2 % 95 | 80 | 101 1/2 | 102 1/2 | 101 3/4 | 0 | 9.09 | | |
| Austria 5 1/2 % 95 | 140 | 99 1/2 | 100 1/2 | 99 3/4 | 0 | 9.89 | | | | | Canada 5 1/2 % 95 | 80 | 101 1/2 | 102 1/2 | 101 3/4 | 0 | 9.09 | | |
| B.F.C.E. 7 1/2 % 95 | 150 | 92 1/4 | 92 1/2 | 92 1/4 | +0.12 | 10.12 | | | | | Canada 5 1/2 % 95 | 80 | 101 1/2 | 102 1/2 | 101 3/4 | 0 | 9.09 | | |
| B.F.C.E. 7 1/2 % 95 | 150 | 92 1/4 | 92 1/2 | 92 1/4 | +0.12 | 10.12 | | | | | Canada 5 1/2 % 95 | 80 | 101 1/2 | 102 1/2 | 101 3/4 | 0 | 9.09 | | |
| B.F.C.E. 7 1/2 % 95 | 150 | 92 1/4 | 92 1/2 | 92 1/4 | +0.12 | 10.12 | | | | | Canada 5 1/2 % 95 | 80 | 101 1/2 | 102 1/2 | 101 3/4 | 0 | 9.09 | | |
| B.F.C.E. 7 1/2 % 95 | 150 | 92 1/4 | 92 1/2 | 92 1/4 | +0.12 | 10.12 | | | | | Canada 5 1/2 % 95 | 80 | 101 1/2 | 102 1/2 | 101 3/4 | 0 | 9.09 | | |
| B.F.C.E. 7 1/2 % 95 | 150 | 92 1/4 | 92 1/2 | 92 1/4 | +0.12 | 10.12 | | | | | Canada 5 1/2 % 95 | 80 | 101 1/2 | 102 1/2 | 101 3/4 | 0 | 9.09 | | |
| B.F.C.E. 7 1/2 % 95 | 150 | 92 1/4 | 92 1/2 | 92 1/4 | +0.12 | 10.12 | | | | | Canada 5 1/2 % 95 | 80 | 101 1/2 | 102 1/2 | 101 3/4 | 0 | 9.09 | | |
| B.F.C.E. 7 1/2 % 95 | 150 | 92 1/4 | 92 1/2 | 92 1/4 | +0.12 | 10.12 | | | | | Canada 5 1/2 % 95 | 80 | 101 1/2 | 102 1/2 | 101 3/4 | 0 | 9.09 | | |
| B.F.C.E. 7 1/2 % 95 | 150 | 92 1/4 | 92 1/2 | 92 1/4 | +0.12 | 10.12 | | | | | Canada 5 1/2 % 95 | 80 | 101 1/2 | 102 1/2 | 101 3/4 | 0 | 9.09 | | |
| B.F.C.E. 7 1/2 % 95 | 150 | 92 1/4 | 92 1/2 | 92 1/4 | +0.12 | 10.12 | | | | | Canada 5 1/2 % 95 | 80 | 101 1/2 | 102 1/2 | 101 3/4 | 0 | 9.09 | | |
| B.F.C.E. 7 1/2 % 95 | 150 | 92 1/4 | 92 1/2 | 92 1/4 | +0.12 | 10.12 | | | | | Canada 5 1/2 % 95 | 80 | 101 1/2 | 102 1/2 | 101 3/4 | 0 | 9.09 | | |
| B.F.C.E. 7 1/2 % 95 | 150 | 92 1/4 | 92 1/2 | 92 1/4 | +0.12 | 10.12 | | | | | Canada 5 1/2 % 95 | 80 | 101 1/2 | 102 1/2 | 101 3/4 | 0 | 9.09 | | |
| B.F.C.E. 7 1/2 % 95 | 150 | 92 1/4 | 92 1/2 | 92 1/4 | +0.12 | 10.12 | | | | | Canada 5 1/2 % 95 | 80 | 101 1/2 | 102 1/2 | 101 3/4 | 0 | 9.09 | | |
| B.F.C.E. 7 1/2 % 95 | 150 | 92 1/4 | 92 1/2 | 92 1/4 | +0.12 | 10.12 | | | | | Canada 5 1/2 % 95 | 80 | 101 1/2 | 102 1/2 | 101 3/4 | 0 | 9.09 | | |
| B.F.C.E. 7 1/2 % 95 | 150 | 92 1/4 | 92 1/2 | 92 1/4 | +0.12 | 10.12 | | | | | Canada 5 1/2 % 95 | 80 | 101 1/2 | 102 1/2 | 101 3/4 | 0 | 9.09 | | |
| B.F.C.E. 7 1/2 % 95 | 150 | 92 1/4 | 92 1/2 | 92 1/4 | +0.12 | 10.12 | | | | | Canada 5 1/2 % 95 | 80 | 101 1/2 | 102 1/2 | 101 3/4 | 0 | 9.09 | | |
| B.F.C.E. 7 1/2 % 95 | 150 | 92 1/4 | 92 1/2 | 92 1/4 | +0.12 | 10.12 | | | | | Canada 5 1/2 % 95 | 80 | 101 1/2 | 102 1/2 | 101 3/4 | 0 | 9.09 | | |
| B.F.C.E. 7 1/2 % 95 | 150 | 92 1/4 | 92 1/2 | 92 1/4 | +0.12 | 10.12 | | | | | Canada 5 1/2 % 95 | 80 | 101 1/2 | 102 1/2 | 101 3/4 | 0 | 9.09 | | |
| B.F.C.E. 7 1/2 % 95 | 150 | 92 1/4 | 92 1/2 | 92 1/4 | +0.12 | 10.12 | | | | | Canada 5 1/2 % 95 | 80 | 101 1/2 | 102 1/2 | 101 3/4 | 0 | 9.09 | | |
| B.F.C.E. 7 1/2 % 95 | 150 | 92 1/4 | 92 1/2 | 92 1/4 | +0.12 | 10.12 | | | | | Canada 5 1/2 % 95 | 80 | 101 1/2 | 102 1/2 | 101 3/4 | 0 | 9.09 | | |
| B.F.C.E. 7 1/2 % 95 | 150 | 92 1/4 | 92 1/2 | 92 1/4 | +0.12 | | | | | | | | | | | | | | |

SUMITOMO BANK ON THE FRENCH STOCK EXCHANGE

Managed by**Daïwa Europe (France SA) — Crédit Commercial de France**

April 21, 1989

REGISTRATION ON THE FORWARD MARKET

**Managed by
Banque Nationale de Paris**

EXETER & THE HEART OF DEVON

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FINANCIAL TIMES

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INTERNATIONAL CAPITAL MARKETS

Fuji Bank plans global share issue

By David Lascelles, Banking Editor

FUJI BANK, Japan's third largest, yesterday announced an international share issue and a total of \$1,000m in convertible bonds as part of a big capital-raising programme.

The share issue, which Fuji claimed was the first of its kind by a Japanese bank, consists of 10m shares which will be offered to investors outside Japan, other than in the US.

The shares will be priced at a discount of 8.5 per cent from their closing price in Tokyo on April 28. The issue is being led by Yamaichi International (Europe).

Mr Toru Kusukawa, Fuji's

deputy president, said the combined issues, which will raise a total of about ¥100bn, were part of Fuji's drive to build up its capital in anticipation of the new international regulations which come fully into force at the end of 1992.

He said Fuji's capital ratio on March 31 was about 10 per cent based on the interim formula adopted by the Japanese authorities, but it would be lower under the final rules. The rules set a minimum of 8 per cent.

Fuji was confident that it would meet the new requirements, Mr Kusukawa said.

Fuji's move is expected to be

followed by other leading Japanese banks, most of which have also listed their shares in Europe in recent years and are in need of capital infusions.

The issue follows the listing last year by Fuji of its shares on the London and Paris markets, and growing interest among European investors in its stock, according to Mr Kusukawa.

The convertible bond issue is a combined private placement of \$1,000m of bonds and a public offering of \$1,000m. The issue will be priced at 100 with a yield to be determined at a future meeting of the bank's board.

The bonds will be convertible at 105 per cent of the shares' closing price on April 28, between June 1 this year and September 23 1993. The public placement is being managed by SBC Credit Suisse, UBS and Fuji Bank (Schweiz).

Last night, Fuji's shares closed at ¥3,350, giving the issue a potential value of ¥33bn.

Fuji is not making any formal profit forecast in connection with its share issue. But Mr Kusukawa said the 1988-89 result would be above the ¥160bn forecast made at the time of a domestic rights issue last year.

NYSE to consider trading after hours

By Janet Bush

THE New York Stock Exchange is considering trading stocks electronically outside floor trading hours but has no concrete plans at this stage, according to officials.

They said the exchange would discuss possibilities with a range of members and customers in the next month to see if there would be any demand for 24-hour trading.

Futures exchanges such as the Philadelphia Stock Exchange and the Chicago Board of Trade have already run evening sessions in an attempt to capture overseas business.

In January, Philadelphia introduced an early Friday morning session starting at 10.30am, supplementing a four-hour evening session. The board has been running an evening session for 18 months and is also considering an early morning opening.

These trends not only reflect the increased interdependence of US and overseas markets but also a need among exchanges to find more sources of revenue because of the sharp decline in trading volume since the October 1987 stock market crash.

A number of steps have also been taken towards electronic trading, including the electronic auction system called the Aurora, and the Chicago Mercantile Exchange has developed an electronic order matching system with Reuters Holdings called Globex.

Representatives from both Chicago exchanges had discussions with Mr John Phelan, NYSE chairman, last week about their new systems.

Mr Richard Grasso, NYSE chief operating officer, said it would be six to 24 months before any plans were sketched out.

He said: "To the extent that a customer has a need in the market, this institution has a commitment to meet that need."

The largest potential stumbling block to setting up an electronic system off the floor may be opposition from specialists.

Frankfurt kept in check by concern over inflation

By Katharine Campbell in London and Janet Bush in New York

MR Theo Waigel, the new German Finance Minister, was sufficiently confident to inject a little unaccustomed humour into the withholding tax debate yesterday, by joking - in a reference to a newspaper cartoon rendering of the unpopular tax - that the monster would not be around much longer.

Optimism that the recently

year bond issue contract finished at a level of 94.34 compared with 94.50 on Friday.

THE withholding tax effect has meant that the yield spread of Dutch bonds against comparable German paper has widened to around 25 basis points, which encouraged some switching out of bonds into Dutch stock.

The Dutch market is also slightly depressed by supply concerns. Terms on the new 7 per cent 10-year state loan will be announced today. Dealers expect a fairly small issue amounting to around F1.2bn, priced under par with a yield of around 7.05 per cent.

THE French market opened stronger with moderate activity, helped by firmness in the French franc. The tap stock 8½ per cent due 1999 was quoted at around 95.87, which represented an increase of 30 centimes on Friday's closing prices. But the prospect of

statistics later in the week ensured most players stayed out of the market.

The official close on Mafif, the futures exchange, was 106.52 compared with 106.46 in late trading on Friday.

UK gilt-edged securities dealers are largely sitting on their hands in anticipation of Wednesday's current account figures for March.

The market is not expecting much change on the £1.7bn deficit for February. At the same time, these sorts of figures would probably not provoke a base rate increase - particularly given the political pressure of forthcoming local authority elections.

Gilts opened between ¼ to ½ of a point firmer, as a result of a little overnight buying, together with some short covering in advance of Wednesday. There was little movement during the day, with cash prices closing roughly ½ of a point firmer.

US Treasury bonds started the week quietly yesterday, trading in a narrow range ahead of a string of economic releases starting with today's March durable goods orders.

In late trading, prices were quoted around ½ point lower at the short end of the yield curve, and as much as ½ point higher at the long end.

The Treasury's benchmark long bond was quoted unchanged for a yield of 8.93 per cent.

Durable goods orders declined 3.6 per cent in February and a 1.2 per cent gain in the consensus forecast for March. Tomorrow sees the release of preliminary first-quarter figures for GNP along with the usual inflation measurements.

New executive to head LIT's European drive

By Katharine Campbell

LIT Holdings, the acquisitive transatlantic financial services group, announced yesterday the appointment of Mr G.H. Chamberlain as executive director of LIT and chairman and chief executive of LIT Europe, the futures and securities broking subsidiary, with effect from May 2.

Mr Chamberlain, who until last year headed the equities and derivatives products division of Shearson Lehman Hutton in London, will also be responsible for improving the group's performance in Europe in the run up to the creation of a single market-place in 1992.

LIT's operations include investment management, corporate finance, and personal financial management.

LIT Europe, currently dwarfed by the profitable LIT America active on the Chicago derivatives markets, is nevertheless a large clearer of local business, on the London commodities market.

Its activities on the London Traded Options Market, through LIT Securities, have been limited, although the operation is keen to expand its institutional client base, helping to dispel memories of Bailey Shatkin, the private client options broker subsumed by LIT last year.

Mr Chamberlain has been chairman of LITOM since 1987, and his experience in equities derivatives will be valuable in expanding the securities side of LIT's operations.

Spanish bourses come on line

By Peter Bruce in Madrid

SPAIN'S four stock exchanges took their first hesitant steps towards a radical reform of the country's capital markets yesterday by introducing continuous computerised trading for the first time.

An inevitable computer failure in the morning took some time to sort out, but four of the five stock exchanges to start the computerised trading system (computer-assisted trading system) made healthy gains.

The selected issues included Motor Iberica, Nissan's Spanish affiliate, Altos Hornos, the recently recovered steelmaker, and Papelaria Espanola, the paper group.

Brokers in the four markets - Madrid, Barcelona, Valencia and Bilbao - reported some confusion initially but most were pleased with the easy access they had to trading information.

At the moment, Spanish shares are traded in 10-minute lots. Share prices vary between the markets and there are fears that arbitrage between the markets under Cats is also likely to suffer.

The Bilbao market in particular fears it may lose out as market making under continuous trading might tend to concentrate on Madrid. Brokers in Bilbao have threatened to boycott Cats next month in protest

at what they see as the marginalisation of their bourse.

The fact that leading Basque banks have begun to take positions in Madrid-based brokerages ahead of the total market reform planned for July 29 has not helped ease these fears.

The full introduction of Cats will also bring an end to most after-hours trading in Spain and as the system functions from 9am to 5pm final market indices will be published much later in the day.

At present, the five continuously traded stocks represent around 2.4 per cent of the Madrid market but it is planned to add new shares gradually until they are all on the system.

Slate, Megher & Flom, a leading New York firm of attorneys in the mergers and acquisitions field.

Some former employees of L.P. Rothschild, the troubled Wall Street investment bank, have filed a class action suit against the company alleging unfair dismissal under the new Federal plant closing law.

The suit alleges the company failed to give the necessary 60 days' notice required under the new law, passed last year, and effective in February, before firing 250 to 300 employees in its mortgage-backed and corporate bond areas last month.

He reaffirmed in an internal memorandum to employees that First Boston remained committed to all sectors of its business.

Most leading Wall Street investment banks have been trimming back staff in response to difficult trading conditions in securities markets.

First Boston also announced that Mr Michael Goldberg had joined as co-head of the mergers and acquisitions department. He will run the section from June 1, with Mr Robert Cotter and Mr Michael Koenke.

Mr Goldberg is currently a partner with Skadden, Arps,

First Boston to axe 200 jobs

By Janet Bush

FIRST BOSTON, the Wall Street investment bank, yesterday announced it was cutting 200 jobs across the company, reflecting difficult conditions in the securities business.

Mr William Mayer, president and chief executive officer of First Boston Corp, the New York arm of the CS First Boston group, said the company was trying to be realistic about the market environment. The US operation has shed about 1,000 jobs since the October 1987 stock market crash.

Mr Mayer said the job losses were purely a reflection of trading conditions and were not related to the restructuring of the group as a whole, which

was completed last December. He reaffirmed in an internal memorandum to employees that First Boston remained committed to all sectors of its business.

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LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

| EQUITY GROUPS | | Monday April 24 1989 | | Fri Apr 21 | | Thu Apr 20 | | Wed Apr 19 | | Year ago (approx) | |
|--|--|----------------------|----------------|-------------------|-------------------------|------------------|-----------------------|------------|---------|-------------------|---------|
| Figures in parentheses show number of stocks per section | | Index | Day's Change % | Est. Yield (Max.) | Gross Yield (Act) (25%) | Est. Yield (Net) | Ytd Adj. 1989 to date | Index | Index | Index | Index |
| 1 CAPITAL GOODS (287) | | 923.36 | +0.2 | 18.79 | 4.34 | 11.39 | 9.88 | 923.19 | 922.82 | 941.89 | 752.65 |
| 2 Building & Construction (38) | | 1668.18 | +0.4 | 13.12 | 4.38 | 9.96 | 25.93 | 1662.38 | 1671.82 | 1702.66 | 1583.71 |
| 3 Contracting, Construction (38) | | 2725.50 | +0.8 | 8.49 | 4.45 | 14.83 | 25.01 | 2704.48 | 2706.77 | 2740.32 | 1983.72 |
| 4 Electronics (10) | | 2091.51 | +0.1 | 9.08 | 3.20 | 14.27 | 12.85 | 2093.97 | 2067.81 | 2120.62 | 1534.24 |
| 5 Mechanical Engineering (54) | | 494.02 | +0.2 | 10.56 | 4.32 | 11.61 | 6.75 | 495.23 | 496.39 | 505.80 | 371.19 |
| 6 Metals and Metal Forming (7) | | 1014.46 | +0.1 | 9.85 | 4.06 | 12.79 | 11.39 | 1028.42 | 1025.45 | 1028.52 | 84.57 |
| 7 Motors (17) | | 395.44 | +0.4 | 12.07 | 4.97 | 9.68 | 5.78 | 396.66 | 389.99 | 311.67 | 249.96 |
| 10 Other Industrial Materials (22) | | 1350.81 | +0.1 | 9.34 | 4.36 | 12.74 | 21.63 | 1351.01 | 1356.93 | 1379.85 | 1234.41 |
| 21 CONSUMER GROUP (186) | | 1179.11 | +0.2 | 9.18 | 3.71 | 13.78 | 8.80 | 1177.15 | 1179.36 | 1189.05 | 1051.79 |
| 22 Brewers and Distillers (22) | | 1288.43 | +0.1 | 10.84 | 3.56 | 12.49 | 1.88 | 1284.81 | 1289.77 | 1297.68 | 1045.49 |
| 23 Food Manufacturers (20) | | 1024.61 | +0.1 | 9.85 | 4.06 | 12.79 | 11.39 | 1028.42 | 1025.45 | 1028.52 | 84.57 |
| 24 Food Retailing (15) | | 2311.35 | +0.7 | 6.75 | 3.37 | 15.85 | 14.57 | 2294.86 | 2279.08 | 2275.26 | 2102.13 |
| 27 Health and Household (14) | | 2272.83 | +0.2 | 6.28 | 2.97 | 14.20 | 9.00 | 2278.34 | 2273.72 | 2303.82 | 1763.76 |
| 29 Leisure (33) | | 1573.93 | +0.1 | 7.71 | 3.44 | 16.30 | 14.64 | 1572.86 | 1588.15 | 1596.31 | 1272.14 |
| 31 Packaging & Paper (16) | | 563.48 | +0.2 | 10.22 | 4.27 | 11.92 | 10.99 | 562.48 | 562.57 | 568.72 | 428.51 |
| 32 Publishing & Printing (10) | | 1044.81 | +0.1 | 8.41 | 4.66 | 13.26 | 32.54 | 1047.38 | 1049.39 | 1053.33 | 826.99 |
| 34 Stores (33) | | 762.68 | +0.3 | 11.45 | 4.65 | 11.44 | 1.63 | 766.70 | 764.42 | 778.79 | 632.38 |
| 35 Textiles (15) | | 521.85 | +0.1 | 11.93 | 5.43 | 10.38 | 0.68 | 520.21 | 520.23 | 525.44 | 383.10 |
| 40 OTHER GROUPS (94) | | 1050.43 | +0.1 | 10.30 | 4.00 | 11.84 | 8.71 | 1049.39 | 1052.38 | 1067.89 | 899.29 |
| 41 Agencies (18) | | 254.23 | +0.1 | 12.19 | 3.24 | 12.19 | 10.45 | 254.09 | 254.13 | 254.79 | 229.78 |
| 42 Camerates (22) | | 1195.81 | +0.1 | 11.17 | 4.95 | 10.68 | 21.34 | 1194.21 | 1194.21 | 1204.19 | 96.31 |
| 43 Conglomerates (11) | | 1153.03 | +0.4 | 10.09 | 4.85 | 11.46 | 5.17 | 1155.70 | 1159.19 | 1159.72 | 1143.27 |
| 45 Transport (13) | | 2348.26 | +0.1 | 8.44 | 3.45 | 15.23 | 20.16 | 2336.86 | 2348.44 | 2433.32 | 1875.99 |
| 47 Telephone Networks (2) | | 1085.35 | +0.3 | 10.82 | 4.33 | 12.82 | 6.80 | 1089.00 | 1089.00 | 1118.47 | 943.28 |
| 48 Miscellaneous (17) | | 1024.61 | +0.1 | 9.85 | 4.06 | 12.79 | 11.39 | 1028.42 | 1025.45 | 1028.52 | 84.57 |
| 49 INDUSTRIAL GROUP (457) | | 1096.27 | +0.1 | 9.91 | 4.00 | 12.48 | 9.88 | 1096.18 | 1096.18 | 1111.01 | 935.86 |
| 51 Oil & Gas (13) | | 2005.01 | +0.2 | 9.93 | 5.24 | 12.93 | 41.32 | 2000.14 | 1995.74 | 2004.77 | 1823.96 |
| 52 S&P SHARE INDEX (500) | | 1713.33 | +0.1 | 9.91 | 4.20 | 12.54 | 11.49 | 1717.74 | 1712.93 | 1716.84 | 1607.38 |
| 61 FINANCIAL GROUP (123) | | 724.86 | +0.1 | 5.31 | 5.31 | 13.99 | 727.37 | 727.37 | 729.99 | 732.99 | 643.93 |
| 62 Banks (8) | | 708.15 | +0.1 | 25.15 | 6.72 | 5.22 | 20.35 | 709.12 | 709.81 | 721.66 | 614.88 |
| 63 Insurance (Life) (8) | | 1038.07 | +0.1 | 5.75 | 5.75 | 12.99 | 29.35 | 1040.35 | 1046.61 | 1042.25 | 973.99 |
| 64 Insurance (Composite) (7) | | 578.32 | +0.1 | 5.75 | 5.75 | 12.99 | 13.88 | 578.63 | 576.57 | 574.45 | 534.66 |
| 65 Insurance (Bancassurance) (1) | | 932.46 | +0.1 | 9.82 | 4.74 | 14.78 | 24.81 | 933.73 | 931.63 | 935.35 | 841.19 |
| 66 Merchant Banks (11) | | 332.14 | +0.1 | 4.51 | 4.51 | 9.63 | 32.14 | 337.45 | 337.45 | 338.38 | 345.57 |
| 67 Property (52) | | 1291.42 | +0.1 | 5.94 | 2.78 | 21.36 | 4.54 | 1291.14 | 1307.68 | 1307.68 | 1150.68 |
| 70 Other Financial (30) | | 367.43 | +0.1 | 10.83 | 5.71 | 12.54 | 4.83 | 367.12 | 367.12 | 367.12 | 367.83 |
| 71 Investment Trusts (73) | | 1096.48 | +0.1 | 9.99 | 2.86 | 12.15 | 7.08 | 1096.33 | 1096.33 | 1103.91 | 865.15 |
| 81 Overseas Financial (1) | | 437.59 | +0.1 | 9.99 | 9.99 | 12.15 | 10.45 | 437.59 | 437.59 | 437.59 | 437.59 |
| 82 Overseas Traders (8) | | 1772.02 | +0.1 | 9.99 | 9.99 | 12.15 | 10.45 | 1772.02 | 1772.02 | 1772.02 | 1772.02 |
| 99 ALL-SHARE INDEX (706) | | 1063.66 | +0.1 | 4.32 | 4.32 | 12.05 | 1063.01 | 1064.42 | 1064.42 | 1076.35 | 916.25 |
| FT-SE 100 SHARE INDEX | | 2062.01 | +0.1 | 2071.51 | 2061.61 | 2064.41 | 2067.01 | 2067.01 | 2067.01 | 2067.01 | 2067.01 |

| FIXED INTEREST | | AVERAGE GROSS REDEMPTION YIELDS | | Mon Apr 24 | | Fri Apr 21 | | Year ago (approx) | |
|--------------------|--|---------------------------------|----------------|------------|----------------|------------|----------------|-------------------|----------------|
| PRICE INDICES | | Index | Day's Change % | Index | Day's Change % | Index | Day's Change % | Index | Day's Change % |
| British Government | | 117.31 | +0.15 | 117.14 | - | 117.14 | - | 117.14 | - |
| 1-5 years | | 132.09 | +0.14 | 131.91 | - | 131.91 | - | 131.91 | - |
| 5-15 years | | 143.57 | +0.16 | 143.35 | - | 143.35 | - | 143.35 | - |
| Over 15 years | | 171.11 | +0.22 | 170.88 | - | 170.88 | - | 170.88 | - |
| Irish Government | | 150.08 | +0.15 | 149.89 | - | 149.89 | - | 149.89 | - |
| 1-5 years | | 132.29 | +0.14 | 132.10 | - | 132.10 | - | 132.10 | - |
| 5-15 years | | 131.64 | +0.14 | 131.46 | - | 131.46 | - | 131.46 | - |
| Over 15 years | | 131.56 | +0.14 | 131.38 | - | 131.38 | - | 131.38 | - |
| Industrial & Local | | 114.47 | +0.01 | 114.46 | - | 114.46 | - | 114.46 | - |
| 1-5 years | | 88.54 | +0.09 | 88.46 | - | 88.46 | - | 88.46 | - |

Source: Financial Times, 10 am 2070.71, 11 am 2069.91, Noon 2067.21, 1 pm 2067.31, 2 pm 2067.41, 3 pm 2067.51, 4 pm 2067.61, 5 pm 2067.71, 6 pm 2067.81, 7 pm 2067.91, 8 pm 2068.01, 9 pm 2068.11, 10 pm 2068.21, 11 pm 2068.31, 12 pm 2068.41, 1 pm 2068.51, 2 pm 2068.61, 3 pm 2068.71, 4 pm 2068.81, 5 pm 2068.91, 6 pm 2069.01, 7 pm 2069.11, 8 pm 2069.21, 9 pm 2069.31, 10 pm 2069.41, 11 pm 2069.51, 12 pm 2069.61, 1 pm 2069.71, 2 pm 2069.81, 3 pm 2069.91, 4 pm 2070.01, 5 pm 2070.11, 6 pm 2070.21, 7 pm 2070.31, 8 pm 2070.41, 9 pm 2070.51, 10 pm 2070.61, 11 pm 2070.71, 12 pm 2070.81, 1 pm 2070.91, 2 pm 2071.01, 3 pm 2071.11, 4 pm 2071.21, 5 pm 2071.31, 6 pm 2071.41, 7 pm 2071.51, 8 pm 2071.61, 9 pm 2071.71, 10 pm 2071.81, 11 pm 2071.91, 12 pm 2072.01, 1 pm 2072.11, 2 pm 2072.21, 3 pm 2072.31, 4 pm 2072.41, 5 pm 2072.51, 6 pm 2072.61, 7 pm 2072.71, 8 pm 2072.81, 9 pm 2072.91, 10 pm 2073.01, 11 pm 2073.11, 12 pm 2073.21, 1 pm 2073.31, 2 pm 2073.41, 3 pm 2073.51, 4 pm 2073.61, 5 pm 2073.71, 6 pm 2073.81, 7 pm 2073.91, 8 pm 2074.01, 9 pm

UK COMPANY NEWS

Marler Estates faces full bid from Conrad Hldgs

By Paul Cheeseright, Property Correspondent

MARLER ESTATES, the property company best known both for its ownership of football grounds and also for the regularity with which large chunks of its equity changes hands, is on the receiving end of a bid.

The market expects that Conrad Holdings will shortly emerge as the new owner of Marler.

Talks about the terms were taking place yesterday. Trading in Marler's shares was suspended yesterday morning at the company's request, when the price was 98p, valuing Marler at £74.3m. Marler said simply that an approach had been received which could lead to a bid for

the whole of the issued share capital.

Conrad, a retail property specialist, television scenery maker and exhibition contractor, is the new vehicle of Mr John Duggan. It has publicly expressed aspirations to develop as a broadly based property company.

Mr Duggan used to run Phoenix Properties & Finance before it was bought by Mountleigh. He emerged as chief executive of Mountleigh for several highly charged weeks last autumn before one of the property industry's more spectacular boardroom disagreements led to his departure.

Marler has scandalised the West London soccer faithful

with its notion that its football grounds - those of Chelsea, Fulham and Queens Park Rangers football clubs - might be more profitably used for property development.

It made interim profits of £2.5m in the six months to last September. Its last published net asset value was \$5.4p a share.

Blocks of its equity have frequently changed hands, leading to bid speculation.

A 28 per cent stake owned by Mr Terry Ramsden's Glen International was bought in 1987 by Mr David Thompson, co-founder of Hillsdown Holdings, the conglomerate with interests ranging from food to furniture.

Last year he gave an option on the holding to Investa of Norway, but Investa failed to win Norwegian regulatory consent for the purchase.

But Mr Thompson was an 18.58 per cent owner of Conrad Holdings and it was the purchase of this stake that was partly instrumental in giving Mr Duggan his effective control of Conrad with 29.43 per cent of the equity.

Other significant shareholders in Marler are Great Pacific Capital, controlled by Mr David McErlain, and Channel Hotels and Properties of Jersey.

Dukeminster to acquire Orchid Lodge for £13.5m

By John Murrell

DUKEMINSTER, the property investor and trader, has conditionally agreed to acquire Orchid Lodge UK, which owns freehold property in London's Kensington High Street and has net assets worth some £13.5m.

Consideration will be satisfied via the issue of 16.3m new Dukeminster ordinary shares, 18.5 per cent of the enlarged capital, at an effective price of 82.8p per share.

The new shares will be issued to Pearl Investment Company, a company domiciled in Bahrain in which the Mazrook family of Kuwait has a significant interest.

The commercial and retail element of the Kensington property comprises 24,500 sq ft of offices, two penthouse apartments and seven shop units.

This element is fully let on 25 year leases with five-yearly upward only rent reviews yielding a current rental income of £1.09m per annum with the next rent reviews due in 1992.

The residential element comprises 41 self-contained units, all of which have been sold on 999-year leases at a peppercorn rent.

Allison & Co, surveyor and valuer, has valued Orchid Lodge's freehold property at £20.65m. For the eight months to end-March 1988 the company's warranted management accounts showed a pre-tax profit of £176,000 on rental income of £724,000.

Dukeminster, which yesterday announced a 19 per cent increase in pre-tax profits to £3.2m for the 1988 year, obtained a full stock market listing in the summer of 1988. The company is controlled by the Shohet family who came to Europe from Iraq in the early 1970s.

The purchase of Orchid Lodge is subject to shareholder approval.

Norcross to expand print packaging division

By John Thornhill

NORCROS, the industrial manufacturing group, is to expand its print and packaging division through the purchase of two companies, Douglas Labels and Quorum Technical Services, at a cost of about £2m.

Mr Michael Doherty, Norcross chief executive, said the two acquisitions would fit well with existing print and packaging operations and would add further expertise and specialist technology.

Douglas Labels, based in Leicester, operates in the variable data label printing market. Quorum Technical Services, based in Cheltenham, specialises in data conversion and typesetting.

Acquisitions give British Fittings a boost to £5.6m

BRITISH FITTINGS Group, stockholder and distributor, reported pre-tax profits 92 per cent ahead at £5.59m for 1988, against £2.91m last time. Acquisitions contributed £1.14m to the result.

Turnover, including £15.29m (£775,000) from acquisitions, pushed ahead by 67 per cent to £39.45m (£26.68m).

There was an exceptional credit of £574,000, and after tax of £1.74m (£1.05m), fully diluted earnings rose to 20.34p (14.54p) per 20p share. The directors have recommended an improved final dividend of 5.25p (3.48p) making a total of 6.385p (4.5p).

The purchase of property and new companies had

required the group to increase the facilities from its bankers. But the group anticipated that following receipt of further property disposal proceeds, the facility would rapidly reduce in the second half from the present high level.

The distribution division had started the current year well, said the group, while the order books remained strong in the high pressure water equipment division. Should the trend continue, further progress in profitability was anticipated.

The group said it was committed to expansion in the US and was currently examining a variety of propositions in Europe.

Allied London tops £5m

ALLIED LONDON Properties achieved pre-tax profit up from £3.46m to £5.52m for the six months ended December 31 1988 on rental income up from £4.27m to £5.1m.

The pre-tax profit also included other income of £1.7m (£439,000), and was achieved after interest payments of £2.53m (£1.92m) and administrative expenses of £2.78m

(£2.02m). An interim dividend of 1.075p (0.9p) is being paid. Earnings per share were known as 3.62p (3.51p).

Commenting on the results, the company said that, with the proceeds of the issue of new stock, the group was in a strong position to expand its investment and development portfolio.

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ESSELTE AB
Notice of Annual General Meeting

Notice is given to the shareholders of Esselte Aktiebolag that the Annual General Meeting of the Company will be held at 4.30p.m. on Thursday, May 11th, 1989 at the offices of the Company at Sundbyvägen 1, Solna, Sweden.

In addition to the matters to be dealt with at the Annual General Meeting in accordance with the Swedish Companies Act and the Articles of Association it is proposed to amend the Articles of Association so that the number of Board members shall be increased to a maximum of ten (instead of nine).

The Board of Directors will also propose a resolution that the record date by which shareholders in the Company must be registered by VPC in a register of shareholders or a list maintained in accordance with the 3rd Chapter 12th Section of the Swedish Companies Act, in order to participate in the dividend authorised by the Annual General Meeting will be Wednesday, May 17th, 1989. Should the Annual General Meeting adopt this resolution the date for dispatch of dividends by VPC to those shareholders who are registered with VPC on the record date is estimated to be Wednesday, May 24th, 1989.

In order to be entitled to participate in the Annual General Meeting a shareholder must have been registered with VPC not later than Friday, April 28th, 1989. A shareholder who has had his/her shares registered in the name of a nominee must have temporarily registered those shares in his/her own name with VPC not later than Friday, April 28th, 1989 in order to be entitled to vote at the Annual General Meeting.

Further, in order to take part (whether in person or by proxy) in the Annual General Meeting, a shareholder must give notice to the Company not later than 4.00p.m. Monday, May 8th, 1989, in writing to Esselte AB, Box 1371, S-171 27 Solna, Sweden, or by telephone: Stockholm 27 27 60. If by the aforementioned time a shareholder has provided the Company with a power of attorney, giving authority to exercise the voting rights of the shareholder at the Annual General Meeting in accordance with the 9th Chapter 2nd Section of the Swedish Companies Act, the shareholder shall be deemed to have duly given notice for participation in the Annual General Meeting.

Solna, April, 1989
Board of Directors

Although the Sun Alliance Group bore its share of the costs of the tragic disasters of 1988 at Clapham and Lockerbie, the Piper Alpha platform in the North Sea, and in the Caribbean where Hurricane Gilbert did so much damage, we enjoyed the benefit of an exceptional absence of severe weather in the United Kingdom. In consequence, despite having to find another £27m for the October 1987 storm claims, the Group produced a record final profit of £372m with a positive underwriting result of £58m, including a particularly strong performance in the U.K.

The continuing satisfactory trend in the Commercial account is largely due to sound underwriting, which itself depends a good deal on the technical support of our surveyors and engineers in the field. They are able to provide advice on accident prevention, security and fire protection to our customers, whether in a small high street shop or the most modern chemical plant, and in addition we support industry bodies such as the Loss Prevention Council and the Motor Insurance Repair Research Centre. During the year a Home Office Working Group, which was chaired by Mr. R. J. Taylor, one of our executive directors, published a comprehensive report on arson, and the human inadequacies and wickedness behind it. It is to be hoped that the recommendations will be supported and lead to success in reducing the dreadful level of claims arising from this cause.

Our Personal business has continued to develop well and the exceptionally good outcome gives cause for much satisfaction. The Household account in particular produced good results.

Our Life business has once more produced a larger profit. However, our forebodings about the complexity of the Financial Services Act proved to be justified and this has sometimes made it difficult to maintain the standard of service our customers should expect. Furthermore, the prospect of yet further changes could again increase the cost of investor protection and much of this burden will fall upon the customer. It is to be hoped that the current review of the workings of the Act will achieve a very real simplification of investor protection based on genuine self-regulation.

The Sun Alliance has always benefited from life business obtained through independent intermediaries, but largely as a consequence of the Financial Services Act many

intermediaries are choosing to tie themselves to financial institutions. Therefore, in order to ensure a satisfactory diversified distribution network for our long-term insurance and unit trust business, we have in addition developed our experienced direct sales force and also appointed tied agents, which are particularly important in relation to mortgage business.

In the wider field, the draft Freedom of Services Directive, approved by the European Parliament last summer, will come increasingly to shape our activities. Unfortunately, the outlook seems less encouraging than we had hoped because the rules proposed are a good deal more restrictive than those which apply in the U.K. and in the Netherlands.

True freedom to transact business across frontiers still seems some way off, and furthermore differences in contract law, regulations and taxation present formidable obstacles. Meanwhile, we have a wider representation on the continent than our British competitors and our total non-life premium income in all countries of the Community already puts us in the first division of European insurance companies.

Our underwriting experience abroad last year was better in Europe and Australia, but significantly less good as competition sharpened in North America and a number of

territories where we have smaller operations.

In the Marine and Aviation accounts, as forecast last year, the going has been very much harder, with over-capacity in the market. However, our underwriters were able to report a useful profit from the closed year 1988.

Investment income rose by about 14% excluding the effect of exchange rate fluctuations. With the retention of further profits and appreciation in the value of our property and investments, shareholders' funds rose to £2,103m and our solvency margin increased from 85% to 93%.

DIVIDEND

In view of the very satisfactory results, your Directors intend to declare a final dividend for 1988 of 26.0p per share, making 41.0p for the year.

GROUP REORGANISATION

The present structure of the Group, which has served us well, has evolved from the three major mergers of the past thirty years. As we approach a new decade it is clear that we need to reshape ourselves to match our strategic aims, our operating structure and our marketing organisation. Furthermore, under current legislation, non-insurance business, which is an important part of our activities, cannot be undertaken under the umbrella of an insurance company. We are therefore bringing forward proposals for the formation of a non-insurance holding company, Sun Alliance Group plc, which will facilitate a variety of business developments.

The new holding company will be established by means of a Scheme of Arrangement under which shareholders will receive four shares in the new holding company for each share currently held. Full details are set out in the letter and other documents issued with the report and will be considered at meetings to be held immediately after the Annual General Meeting on 17th May.

CONCLUSION

The excellent figures which the Group has produced are the result of the professional skills and application of our whole staff worldwide. They represent the assurance that the company will continue to prosper in the challenging times ahead.

COMPANY NEWS IN BRIEF

J H FENNER: result of the recent rights issue showed that of the 10,451,348 new ordinary shares provisionally allotted 9,892,567 new shares (approximately 94.66 per cent) were taken up.

FINLAN GROUP subsidiary Witting Brothers (Merchants) has acquired New Range for an initial consideration of £1.5m with further profit-related pay-

ments to a £1.3m maximum. HAMBROS INVESTMENT Trust: offers for the capital and warrants in Hambros Investment Trust which it did not already own have been accepted in respect of 56.4 per cent of the ordinary, 1.3 per cent of the 5.5% preference stock, 5.1 per cent of the 5% preference stock and 74.1 per cent of the warrants.

A RECORD YEAR - 1988

CHAIRMAN'S STATEMENT

SUN ALLIANCE
INSURANCE GROUP

The Annual General Meeting of Sun Alliance and London Insurance plc will be held at 12.00 noon on 17th May, 1989 at the Head Office, 1 Bartholomew Lane, London EC2N 2AB. The Annual Report and Accounts were posted to shareholders on 24th April, 1989. If you are not a shareholder and would like a copy please write to the Company Secretary at the above address.

Metalrax Group PLC

Broad spectrum engineering specialists

| | 1988 | 1987 |
|------------------------------|--------|-------------|
| | £000 | £000 |
| Turnover | 52,117 | 45,672 +14% |
| Group profit before taxation | 6,087 | 5,058 +20% |
| Dividends per ordinary share | 3.48p | 2.73p +27% |
| Earnings per share | 8.51p | 6.94p +23% |

"I have every confidence that... members will be very satisfied with the results for the current year."

John Wardle Chairman

25th Anniversary Report and accounts from Metalrax Group PLC, Ardath Road, Kings Norton Birmingham B38 9PN Telephone: 021-433 3444

The BNP Group in 1988

- Strong growth in the level of activity
- Consolidated income : FF 3,239 million, up 7.6 %
- Net dividend per share : up 13 % from FF 11.5 to FF 13

BNP's Board of Directors met on April 13, 1989 under the Chairmanship of Mr. René THOMAS, to examine the accounts of the BNP for the financial year 1988.

BNP GROUP

The very rapid growth in the level of activity during the year resulted in an increase in net income to FF 3,239 million, compared with FF 3,009 million for 1987.

| FF millions | 1987 | 1988 | % |
|--|--------|--------|--------|
| Net banking revenue | 29,725 | 31,867 | + 7.2 |
| Non-interest operating expenses and fixed asset depreciation | 20,423 | 22,238 | + 8.9 |
| Net operating income of which | 9,302 | 9,631 | + 3.5 |
| • Continental France | 7,456 | 7,239 | - 2.9 |
| Foreign and overseas | 1,846 | 2,392 | + 29.6 |
| Net operating provisions of which : provision for possible loan losses and general risks | 4,805 | 4,412 | - 8.2 |
| Consolidated net income of which | 3,561 | 3,093 | + 43.0 |
| • Group share | 3,009 | 3,239 | + 7.6 |
| Net earnings per share and per non-voting stock certificate (in French francs) | 2,835 | 3,062 | + 8.0 |
| | 48.22 | 52.07 | + 8.0 |

Continental France

1988 was marked by intense activity. Loans and advances in French francs were up by 16 %.

- Loans to corporate customers increased by 9.1 %, including a rise of 26.3 % in plant and equipment financing.
- Loans to private customers rose by 31.1 % and now represent 35 % of total loans.

Total deposits grew by an annual average of 5.8 %, including an increase of 7.3 % in sight deposits and 11.2 % in savings accounts. The proportion of high interest-bearing deposits diminished.

The impact of BNP's commercial dynamism was also visible in the insurance sector : FF 4.9 billion of premiums were collected in 1988.

Overall assets managed in the Group's investment companies and mutual funds increased by 27 % to FF 139 billion. The specialised subsidiaries (BNP Bail, Natifort, Banex, Crédit Universel) also showed significant growth in the level of their activities.

Foreign and overseas

Net operating income rose very sharply by 29.6 %, as a result of the high level of activity, particularly in North America and Europe, where BNP acquired, in the United Kingdom, a real estate mortgage company (BNP Mortgages). The foreign and overseas network now represents 25 % of net operating income and a third of net income.

The Group as a whole

Net operating income for the year was FF 9,631 million, up by 3.5 %, and an increase of 11 % excluding capital gains and other exceptional items (current banking income).

- Net banking revenue was up by over 7 % (9.5 % excluding capital gains and other exceptional items).
- Non-interest expenses and depreciation increased by 8.9 % as a result of the increase in depreciation and the significant growth in the number of transactions and accounts processed.

After write-back of provisions on securities, the net charge for operating provisions totalled FF 4,412 million.

BNP continued to pursue its policy of prudence :

- Provisions made during the year for possible loan losses and general risks totalled FF 5,093 million compared with FF 3,561 million in 1987.
- The rate of coverage of sovereign risks by provisions is now over 52 %.

Consolidated net income totals FF 3,239 million (up 7.6 %). Groupe share rose by 8.01 %.

BNP PARENT COMPANY

Net income rose to FF 1,647 million, an increase of 6.5 %.

| FF millions | 1987 | 1988 | % |
|--|--------|--------|--------|
| Net banking revenue | 24,295 | 25,612 | + 5.4 |
| Non-interest expenses and depreciation | 17,479 | 18,630 | + 6.6 |
| Net operating income | 6,816 | 6,982 | + 2.4 |
| Net charge for operating provisions of which : provisions for possible loan losses and general risks | 4,346 | 4,163 | - 4.2 |
| Net income | 3,475 | 4,500 | + 29.5 |
| | 1,546 | 1,647 | + 6.5 |

At the Annual General Meeting of Shareholders, the Board will propose an increase in the dividend for the year, from FF 11.5 to FF 13 per share, that is FF 19.5 inclusive of tax credit.

After dividend distribution, shareholders' equity and equivalents will total FF 33.7 billion.



UK COMPANY NEWS

Ocean Transport in £11m exchange with Nedlloyd

By Clare Pearson

OCEAN TRANSPORT and Trading, the UK distribution group, is exchanging its UK-based European road freight business for certain of the airfreight operations of Nedlloyd, the Dutch shipping and transport group.

The move forms part of a complicated series of deals designed to help the two companies build on their strengths and shed weak areas. OT&T and Nedlloyd are also forming airfreight joint ventures in Holland, Belgium and Spain which will be managed by OT&T subsidiary MSAS Cargo International.

In addition, MSAS is also buying Nedlloyd's airfreight operations in West Germany, France, Singapore and New York, and Nedlloyd is buying Transflash, MSAS's road freight business, for which it has acted as Dutch agent for 23



Nicholas Barber: future in distribution would go to network operations

ance of about £1m. It has not yet been decided whether this will go to OT&T or Nedlloyd.

Mr Nicholas Barber, OT&T's chief executive, said the deal was born out of a recognition that the future in distribution would go to the network operations.

OT&T said when it announced earlier this month 1988 pre-tax profits of £38.5m, down from £41.2m, that UK-based Transflash, which is dependent on Continental agents, was coming under increasing pressure from mainland European competitors.

The MSAS Nedlloyd air cargo companies in Holland, Belgium, and Spain are intended to combine Nedlloyd's strengths in these countries with MSAS's international network, which encompasses the Far East, Australia, and the USA.

Losses rise for New Cavendish

NEW CAVENDISH Estates, the property investor, reported an increase in pre-tax losses in the six months to December 31.

The losses of £71,000 (£25,000) were caused by an exceptional charge of £281,000 (nil), mainly relating to the termination of the contract of Mr John Everitt, the previous managing director.

Mr Henk Schep, chairman, said that at the trading level, profits before tax and exceptional items improved considerably. Net rental and other income advanced 43 per cent to £496,000 (£346,000) with interest receivable and other income almost doubling to £225,000. Losses per share rose to 0.51p (0.44p).

As part of a strategy of rationalisation, the company has decided to withdraw from the residential property market. Consequently, an extraordinary debit of £3.61m relates to the provision for loss on the Northwick Park development.

Mr Schep said that the new management installed in October had concluded its property review and had negotiated and put into operation the management of the property portfolio - worth more than £100m - of Novo, the company's ultimate holding company.

Leisuretime buys Houston hotel for \$10m

Leisuretime International is to pay \$10.5m (£6.1m) cash for the Grand Hotel in Houston, Texas.

The vendors are the Metropolitan Life Insurance Company and the Life and Casualty Insurance Company of Tennessee.

The Grand is a 14-storey 330-room hotel which Leisuretime expects to refurbish and operate under a recognised franchise to improve its profitability.

The sale is subject to Leisuretime obtaining a liquor licence for the hotel's bar and restaurant.

Scruttons profits surge

SCRUTTONS, port, shipping and engineering services group, yesterday reported a surge in profits from £0.7m to £2.2m pre-tax for 1988.

Shareholders were told that a strong trading cash flow, augmented by more than £2m scheduled in 1988 and over £20m expected in 1990 from the group's property interests at

Victoria Deep Water Terminal, near London's docklands, had put the group in a good position to invest in existing businesses and expand by acquisition.

For 1988, profits from the ports businesses advanced sharply, helped by the revised property agreement at the Victoria Deep Water Terminal.

The shipping and transportation activities increased their profits contribution strongly on a turnover reduced by the sale of the road haulage interests.

The group's other interests also made good progress. Scruttons' shares are traded on a matched bargain basis on Granville's Independent Companies Exchange.

Jones expands to over £5m

JONES GROUP, the Dublin-based manufacturer of domestic radiators and convectors with interests in engineering, shipping and distribution, announced pre-tax profits up from £4.36m to £5.13m (£4.36m) in the year to end-December 1988.

Turnover in the period rose 15 per cent from £75.33m to £86.22m.

Mr Christopher Jones, chairman, said the absence of a tax charge last year had resulted in earnings per share rising almost 80 per cent. This growth had almost been maintained in 1988 but was offset by the re-emergence of a tax charge totalling £222,000.

After this tax charge and minorities of £95,000 (£23,000) earnings per 10p share were left at 33.5p (35.1p) and directors are proposing a final dividend of 7p (6.5p) making a total

for the year of 10p (9.5p).

The secondhand market for tankers had been extremely buoyant, said Mr Jones.

At around £10m the group investment in vessels represented almost half its fixed assets and indications were that this figure understates their market value by up to 30 per cent, he said, while the inclusion in the balance sheet of a revaluation of the group's headquarters, showed a surplus of about £1m.

Commenting on future prospects Mr Jones said the environmental division would be the main contributor to growth in turnover in 1989, while sales in the manufacturing division would also be significantly up.

After the midwinter for 40 years volumes in the oil distribution companies were unlikely to show much growth. The engineering division was not forecast to benefit from any growth in the Irish market and would once again look to its UK operations to increase its sales, he said.

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HAMBROS PLC

(Registered in England No. 119609)

Issue of 150,000,000

7.5 per cent. Cumulative Convertible Redeemable Preference Shares of £1 each at par in connection with the offers for Hambros Investment Trust PLC

Application has been made to the Council of The Stock Exchange for the above mentioned securities to be admitted to the Official List. Listing Particulars relating to the 7.5 per cent. Cumulative Convertible Redeemable Preference Shares are available in the Eitel statistical service and may be obtained, during normal business hours, up to and including 27th April, 1989 from the Company Announcements Office; The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD. Copies of the Listing Particulars will also be available for collection during normal business hours, on any weekday (except Saturdays and public holidays) up to and including 9th May, 1989 from:

Hambros PLC
41 Tower Hill
London EC3N 4HA

Rowe & Pitman Ltd.
1 Finsbury Avenue,
London EC2M 2PA

25th April, 1989

This announcement appears as a matter of record only

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COMPAGNIE FINANCIERE DE CREDIT INDUSTRIEL ET COMMERCIAL

1988 consolidated results

PROFITS FORGE AHEAD

Three key figures characterise Groupe CIC's consolidated results for the 1988 financial year :

| (in FF m) | 1988 | 1987 |
|-------------------------|--------|--------|
| Net banking profit | 13,674 | 13,284 |
| Gross operating profit | 3,086 | 3,224 |
| Net consolidated profit | 1,067 | 660 |

During the meeting of the Board of Directors on 5 April 1989, when consolidated accounts were reviewed, Chairman Jean Saint-Geours underlined four important points :

Strong growth in net consolidated profits. Net consolidated profits, which soared by as much as 61.6 % include capital gains on long-term investments which are for the most part of a recurrent nature. In addition, gross operating profits were burdened by exceptional charges due to reorganisation in several subsidiaries.

Strong growth in consolidated capital. These increased from FF 10,192 m to FF 13,877 m during the past year, up 36 % on the year before.

Improved net profits for the main banking subsidiaries. In Paris, BUE more than doubled its net consolidated profits, while CIC Paris significantly reduced its losses. In the provinces, the majority of the Groupe's banking subsidiaries increased their profits.

New alliances across Europe in the framework of a policy initiated last year. As part of these plans, CIC signed several agreements in 1988, i.e. with Monte dei Paschi di Siena of Italy, with Baden Württembergische Bank of West Germany, and with Banco Pastor of Spain.

The Board of Directors also approved the accounts of Compagnie Financière de CIC, which showed net profits of FF 180 m. The Board of Directors decided to pay out a dividend of FF 10 to holders of CICs (Certificats d'Investissement Priviliégés, non-voting preferred stocks), a level unchanged from the 1987 financial year.

COMPAGNIE FINANCIERE DE CIC - 52, rue de Monceau - 75008 PARIS



UK COMPANY NEWS

Suter expands chemical side via £14.6m purchase

By Philip Coggan

SUTER, the industrial holding company, has agreed to acquire Pentagon Chemicals from Kelt Energy, the oil independent, for £14.6m in cash.

The acquisition of Pentagon, which is a specialty chemicals manufacturer, will add to Suter's existing chemicals subsidiary, Mitchell Cotts Chemicals.

For Kelt, the sale marks the latest in a series of disposals of businesses bought in when the

group acquired Carless, a larger oil independent, earlier this year. Kelt made it clear at the time of the bid that it would sell off Carless' downstream assets to pay off part of a £199m loan from American Express Bank, which was used to fund the bid.

Total disposals by Kelt now amount to £55m and the company said yesterday that negotiations were taking place for the sale of other businesses.

Pentagon's pre-tax profits for the year to March 31, 1989 were £900,000 and its net asset value, including the capitalisation of inter-company indebtedness, was £3.3m.

Suter subsidiaries have also acquired Spada, a haircare cash and carry business, and Gorney, a hairdressing sundries distributor, for £1.3m in cash, and White-Lessar, a spectacle case manufacturer, for £1,000.

Really Useful pays £1m for Joseph copyright

By Clare Pearson

REALLY USEFUL, Mr Andrew Lloyd Webber's theatre production and leisure group, has paid £1m for the copyright in "Joseph and the Amazing Technicolor Dreamcoat", which marked the original collaboration between Mr Lloyd Webber and the lyricist Mr Tim Rice 21 years ago.

Mr Keith Turner, director of business and legal affairs, said yesterday Really Useful saw considerable scope for exploiting the operetta in new media such as television and video.

"Joseph", widely performed by schools and amateur groups in the UK and the US, currently generates an annual income of about £85,000.

The copyright became available after its owner, the musical publisher Novello & Co. was sold by Granada Group earlier this year.

The acquisition comes hard on the heels of the London opening last week of "Aspects of Love", the latest Lloyd Webber musical, where advance ticket sales total about £5m so far.

Mr John Whitney, former director general of the Independent Broadcasting Authority, joined Really Useful as managing director three weeks ago.

Really Useful has also recently announced it is seeking offers in excess of £5m on a freehold property in the West End of London, purchased for £3.2m last year, that it has decided not to transfer to from its Soho headquarters.

Ulster TV up 15% midway

HELPED BY an 11.6 per cent increase in advertising revenue, Ulster Television, television programme contractor for Northern Ireland, announced pre-tax profits of £1.6m in the six months to January 31 1989, a 15 per cent improvement on the £1.22m reported last time.

Turnover in the period

totalled £12.8m (£11.57m). Investment income in the period rose to £229,000 (£140,000) but there was a loss of £63,000 from the sale of investments. After tax of £517,000 (£437,000) earnings were 9.07p (8.01p) and there is an improved interim dividend of 2.5p (2p).

Strong recovery at JMD

JMD GROUP, which changed its name from John Michael Design last August, returned strongly from loss to profit in the nine months to December 31.

This USM-quoted specialist in greetings cards, gifts, packaging and design made pre-tax profits of £1.61m on turnover of £12.19m in the period. This compared with restated losses of £639,000 on turnover of £9.04m for the 12 months to March 31 1988.

The greatest strength in the company's recovery was seen in the last three months, as in the half-year to September 30

profits were only £19,000 (losses of £214,000). After tax of £548,000 (£14,000), earnings were 2.44p (losses 1.48p). There was no extraordinary charge (£81,000).

Crucial to JMD's turnaround was the merger in August with Capital & Investment Securities, which injected a new management team and about £2.1m cash.

In December the group acquired, for a combined maximum of £10.96m, Linden Holdings and Downpace, two companies involved in the manufacture and distribution of greetings cards, packaging

and novelty products.

Sir Cecil Burrey, JMD chairman, said that, in view of the timing of the acquisitions, the board did not consider it appropriate to propose a dividend for the period to end-1988. He said that the core design companies significantly reduced their losses to £76,000 (£1.35m).

Equity & Law

Equity & Law Life Assurance Society has increased its stake in York Waterworks Company from 16.1 per cent to 17.5 per cent of the statutory company's voting capital.

Computer People in \$3m US expansion

COMPUTER PEOPLE, the computer staff agency, is continuing its expansion into the US with the purchase of Starlex, a computer consultancy firm handling New York and New Jersey business. Consideration is a maximum \$2.7m (£1.57m).

The initial payment is \$1.7m cash and \$900,000 in loan notes, with an additional payment if Starlex reaches a profit target this year. The acquisition will

be funded principally through a \$2.4m placing of new ordinary shares.

Starlex, like the US Professional Services Group which Computer People bought last July, provides its contract programming services mainly to Fortune 500 companies. Its pre-tax profit for the year to December 31, adjusted for a payment to the owners which will be discontinued, was \$56,000 on turnover of \$9.2m.

Perkins Foods £1.7m buy-out

Perkins Foods has agreed to a £1.65m cash management buy-out of its Meat Packers subsidiary. Meat Packers, which had pre-tax profits of £113,000 on

sales of £23.3m in the 15 months to December 31 1988, has suffered from the reduced availability of beef. Net assets totalled £1.98m at December 31

SHARE STAKES

Cullen's Stores - Discretionary investment portfolios managed by Mercury Asset management group acquired further 658,530 shares, and holding 5.3m (20.07 per cent).

Nesco Investments - Ford

House Trust is beneficial owner of 447,857 ordinary (7.04 per cent).

OTS Group - Sheikh Amin Al-Dahlawi interested in 932,334 shares (5.4 per cent).

U.S. \$100,000,000

MCorp

A Momentum Company

Floating Rate Notes Due 1992

| | |
|--|-----------------------------------|
| Interest Rate | 10 3/16% per annum |
| Interest Period | 24th April 1989 24th July 1989 |
| Interest Amount per U.S. \$1,000 Note due 24th July 1989 | U.S. \$25.75 |

Credit Suisse First Boston Limited
Agent Bank

LEEDS & HOLBECK BUILDING SOCIETY

The Society with the personal touch

Mr T George Turnbull
PRESIDENT

At the 114th Annual General Meeting of the Society held on Monday 24 April 1989, the President, Mr T George Turnbull, reported on the financial year to 31st December 1988.

"Another record year with £368 million advanced on mortgages - nearly 20% up on 1987."

"Assets increased by 20.4% to £116,000,000 - the seventh successive year when growth exceeded 20%."

"Pre-tax profits £17.6 million - up by 36%."

"After-tax profits up by 36% to £11.4 million."

LEEDS BUILDING SOCIETY

Head Office:

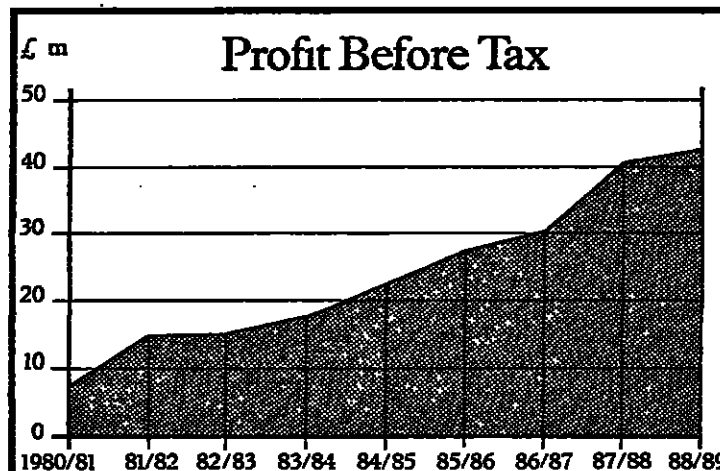
Holbeck House, 105 Abdon St, Leeds LS1 6AS. Tel: (0532) 498111.

Member of the Building Societies Association
Shares and deposits in the Society are insured by the
Building Societies Association.

HOW TOOTAL GROUP CONTINUES TO ACHIEVE RECORD RESULTS

Tootal Group's growth strategy was given a real test of its strength in the difficult trading conditions of 1988/9 and proved its worth in the marketplace.

Pre-tax profits rose for the ninth consecutive year to reach a record £42.3 million, while the dividend to shareholders was increased to 4.85p.



Group's products, services and international structure give a leading edge.

GLOBAL MARKETING

Tootal Group's initiatives have been in the markets - in developing new products and services and entering new growth markets where the

Last year new operations commenced in the United States, Portugal, France, Turkey, Bangladesh and Taiwan.

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Tootal Group has pursued its commitment to attract and nurture excellence across all management disciplines, regions and local cultures and has increased the range of its professional development programmes.

GLOBAL SOURCING AND DISTRIBUTION

Tootal Group has continued to develop its international network, establishing cost-effective sources of high quality products and tailoring its distribution services to meet exact customer needs.

Tootal Group

WINNING LEADERSHIP IN WORLD MARKETS

If you would like to know more about Tootal Group, write to: Audrey Lloyd-Kitchen, Director of Corporate Affairs, Tootal Group plc, Tootal House, 19/21 Spring Gardens, Manchester M60 2TL.

These results are extracted from the full Tootal Group accounts for the year ended 31 January 1989 which are audited by our auditors who carry on unqualified audit reports.

AEROSPACE

The Financial Times proposes to publish this survey on:

7TH JUNE 1989

For a full editorial synopsis and advertisement details, please contact:

PENNY SCOTT
on 01-873 3389

or write to her at:

Number One
Southwark Bridge
London
SE1 9HLFINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

COLOMBIA

The Financial Times proposes to publish a Survey on the above on

23rd MAY 1989

For a full editorial synopsis and advertisement details, please contact:

NIGEL BICKNELL

on 01-873 3447

or write to him at:

Number One, Southwark Bridge
London SE1 9HLFINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Notice of Redemption to Holders of NORDISKA INVESTERINGSBANKEN (Nordic Investment Bank) **12 1/2% Notes 1983/90.** NOK 100,000,000.- In accordance with the Paying Agency Agreement, the following Notes are drawn for redemption. Maturity 15th July 1989.

2500 Notes each NOK 10,000.-

| | | | | | | | | | |
|-----|------|------|------|------|------|------|------|------|------|
| 1 | 931 | 1973 | 3005 | 3971 | 4994 | 6131 | 7081 | 8059 | 9097 |
| 2 | 937 | 1974 | 3009 | 3977 | 4996 | 6132 | 7082 | 8061 | 9102 |
| 3 | 940 | 1977 | 3018 | 3981 | 5005 | 6133 | 7087 | 8063 | 9104 |
| 13 | 953 | 1984 | 3032 | 3985 | 5010 | 6134 | 7091 | 8064 | 9107 |
| 15 | 954 | 1986 | 3038 | 3988 | 5013 | 6137 | 7096 | 8066 | 9110 |
| 18 | 956 | 1995 | 3040 | 3991 | 5015 | 6138 | 7108 | 8076 | 9133 |
| 21 | 962 | 1998 | 3045 | 3992 | 5018 | 6139 | 7109 | 8079 | 9136 |
| 24 | 968 | 2000 | 3053 | 3993 | 5019 | 6140 | 7111 | 8093 | 9140 |
| 25 | 982 | 2013 | 3055 | 3997 | 5035 | 6145 | 7112 | 8095 | 9144 |
| 37 | 985 | 2014 | 3059 | 4003 | 5036 | 6148 | 7114 | 8097 | 9146 |
| 38 | 987 | 2024 | 3062 | 4004 | 5037 | 6153 | 7120 | 8101 | 9153 |
| 39 | 1006 | 2031 | 3064 | 4018 | 5038 | 6164 | 7121 | 8100 | 9154 |
| 41 | 1008 | 2032 | 3065 | 4019 | 5044 | 6166 | 7123 | 8125 | 9156 |
| 42 | 1010 | 2033 | 3069 | 4024 | 5047 | 6169 | 7128 | 8127 | 9159 |
| 48 | 1040 | 2037 | 3071 | 4026 | 5052 | 6171 | 7130 | 8128 | 9162 |
| 52 | 1049 | 2039 | 3074 | 4032 | 5055 | 6172 | 7133 | 8133 | 9163 |
| 53 | 1057 | 2043 | 3080 | 4038 | 5064 | 6175 | 7135 | 8135 | 9165 |
| 55 | 1065 | 2045 | 3086 | 4039 | 5066 | 6184 | 7137 | 8136 | 9169 |
| 57 | 1079 | 2047 | 3090 | 4045 | 5068 | 6186 | 7145 | 8139 | 9170 |
| 60 | 1088 | 2048 | 3091 | 4046 | 5076 | 6193 | 7148 | 8143 | 9172 |
| 61 | 1091 | 2056 | 3097 | 4050 | 5085 | 6198 | 7151 | 8145 | 9174 |
| 63 | 1095 | 2060 | 3098 | 4051 | 5090 | 6201 | 7155 | 8150 | 9175 |
| 67 | 1096 | 2070 | 3099 | 4055 | 5101 | 6214 | 7159 | 8151 | 9178 |
| 79 | 1104 | 2080 | 3100 | 4068 | 5114 | 6216 | 7161 | 8156 | 9179 |
| 81 | 1107 | 2086 | 3101 | 4073 | 5115 | 6217 | 7163 | 8158 | 9181 |
| 84 | 1109 | 2087 | 3109 | 4076 | 5121 | 6229 | 7164 | 8165 | 9184 |
| 88 | 1110 | 2090 | 3115 | 4079 | 5123 | 6232 | 7165 | 8170 | 9186 |
| 90 | 1114 | 2098 | 3116 | 4082 | 5124 | 6238 | 7169 | 8171 | 9194 |
| 93 | 1115 | 2100 | 3121 | 4084 | 5126 | 6243 | 7171 | 8174 | 9203 |
| 94 | 1116 | 2107 | 3122 | 4092 | 5127 | 6244 | 7174 | 8192 | 9204 |
| 95 | 1122 | 2116 | 3126 | 4096 | 5133 | 6248 | 7183 | 8195 | 9209 |
| 100 | 1123 | 2122 | 3127 | 4097 | 5135 | 6255 | 7184 | 8196 | 9212 |
| 101 | 1124 | 2125 | 3129 | 4103 | 5139 | 6261 | 7191 | 8197 | 9220 |
| 104 | 1126 | 2126 | 3130 | 4125 | 5148 | 6263 | 7195 | 8201 | 9221 |
| 114 | 1131 | 2133 | 3134 | 4129 | 5156 | 6264 | 7202 | 8205 | 9222 |
| 116 | 1134 | 2135 | 3143 | 4133 | 5157 | 6267 | 7203 | 8207 | 9226 |
| 118 | 1136 | 2142 | 3148 | 4139 | 5160 | 6271 | 7211 | 8208 | 9230 |
| 121 | 1142 | 2153 | 3154 | 4145 | 5168 | 6275 | 7214 | 8209 | 9231 |
| 125 | 1143 | 2162 | 3156 | 4146 | 5170 | 6284 | 7218 | 8211 | 9236 |
| 129 | 1148 | 2164 | 3159 | 4148 | 5172 | 6289 | 7219 | 8219 | 9240 |
| 139 | 1150 | 2166 | 3163 | 4158 | 5175 | 6291 | 7220 | 8221 | 9242 |
| 146 | 1157 | 2170 | 3164 | 4159 | 5180 | 6293 | 7222 | 8227 | 9245 |
| 149 | 1158 | 2171 | 3172 | 4160 | 5184 | 6301 | 7241 | 8234 | 9248 |
| 153 | 1159 | 2183 | 3184 | 4162 | 5185 | 6309 | 7243 | 8243 | 9255 |
| 159 | 1161 | 2185 | 3191 | 4163 | 5186 | 6311 | 7244 | 8248 | 9257 |
| 165 | 1167 | 2186 | 3193 | 4165 | 5190 | 6313 | 7246 | 8255 | 9259 |
| 166 | 1172 | 2187 | 3202 | 4168 | 5195 | 6315 | 7247 | 8257 | 9263 |
| 168 | 1174 | 2188 | 3205 | 4172 | 5199 | 6318 | 7251 | 8259 | 9269 |
| 175 | 1175 | 2194 | 3214 | 4175 | 5201 | 6326 | 7252 | 8260 | 9271 |
| 177 | 1176 | 2195 | 3215 | 4176 | 5208 | 6333 | 7257 | 8261 | 9274 |
| 183 | 1177 | 2202 | 3224 | 4179 | 5213 | 6334 | 7258 | 8268 | 9281 |
| 188 | 1179 | 2208 | 3228 | 4199 | 5214 | 6338 | 7261 | 8270 | 9290 |
| 196 | 1186 | 2209 | 3230 | 4204 | 5216 | 6340 | 7267 | 8273 | 9295 |
| 210 | 1191 | 2210 | 3238 | 4208 | 5219 | 6344 | 7281 | 8275 | 9300 |
| 213 | 1195 | 2213 | 3251 | 4218 | 5229 | 6358 | 7283 | 8277 | 9302 |
| 215 | 1198 | 2224 | 3255 | 4225 | 5238 | 6361 | 7288 | 8281 | 9304 |
| 217 | 1201 | 2226 | 3256 | 4239 | 5246 | 6370 | 7289 | 8283 | 9306 |
| 219 | 1204 | 2231 | 3257 | 4240 | 5247 | 6375 | 7291 | 8286 | 9307 |
| 224 | 1205 | 2233 | 3258 | 4241 | 5250 | 6378 | 7293 | 8295 | 9308 |
| 225 | 1211 | 2236 | 3261 | 4244 | 5253 | 6382 | 7298 | 8305 | 9309 |
| 227 | 1215 | 2237 | 3262 | 4245 | 5254 | 6385 | 7299 | 8307 | 9312 |
| 230 | 1216 | 2239 | 3273 | 4248 | 5257 | 6386 | 7302 | 8310 | 9314 |
| 235 | 1220 | 2242 | 3274 | 4251 | 5260 | 6392 | 7304 | 8313 | 9315 |
| 241 | 1221 | 2246 | 3277 | 4256 | 5263 | 6393 | 7310 | 8318 | 9316 |
| 246 | 1222 | 2248 | 3279 | 4269 | 5264 | 6402 | 7313 | 8320 | 9317 |
| 248 | 1227 | 2262 | 3280 | 4276 | 5286 | 6403 | 7319 | 8323 | 9318 |
| 252 | 1229 | 2269 | 3284 | 4278 | 5294 | 6406 | 7320 | 8329 | 9320 |
| 253 | 1234 | 2270 | 3286 | 4281 | 5309 | 6408 | 7322 | 8334 | 9324 |
| 254 | 1236 | 2273 | 3290 | 4283 | 5313 | 6409 | 7333 | 8336 | 9326 |
| 255 | 1237 | 2276 | 3293 | 4284 | 5315 | 6420 | 7335 | 8344 | 9331 |
| 257 | 1245 | 2280 | 3294 | 4286 | 5317 | 6421 | 7344 | 8348 | 9341 |
| 265 | 1248 | 2286 | 3296 | 4291 | 5318 | 6422 | 7346 | 8352 | 9350 |
| 266 | 1255 | 2291 | 3297 | 4295 | 5326 | 6424 | 7350 | 8353 | 9351 |
| 267 | 1258 | 2306 | 3299 | 4299 | 5331 | 6425 | 7357 | 8356 | 9353 |
| 269 | 1264 | 2309 | 3300 | 4307 | 5335 | 6428 | 7363 | 8357 | 9355 |
| 272 | 1268 | 2310 | 3301 | 4312 | 5336 | 6432 | 7370 | 8362 | 9359 |
| 273 | 1273 | 2318 | 3305 | 4316 | 5345 | 6433 | 7374 | 8364 | 9365 |
| 274 | 1278 | 2320 | 3314 | 4321 | 5352 | 6440 | 7377 | 8373 | 9366 |
| 276 | 1282 | 2323 | 3325 | 4323 | 5356 | 6441 | 7381 | 8379 | 9367 |
| 278 | 1289 | 2325 | 3328 | 4330 | 5357 | 6444 | 7382 | 8395 | 9374 |
| 282 | 1297 | 2337 | 3330 | 4331 | 5364 | 6445 | 7389 | 8412 | 9381 |
| 283 | 1299 | 2342 | 3333 | 4337 | 5365 | 6447 | 7390 | 8415 | 9382 |
| 285 | 1300 | 2347 | 3339 | 4339 | 5366 | 6449 | 7392 | 8419 | 9388 |
| 290 | 1303 | 2349 | 3345 | 4344 | 5368 | 6451 | 7394 | 8420 | 9391 |
| 291 | 1309 | 2351 | 3349 | 4354 | 5372 | 6452 | 7395 | 8423 | 9398 |
| 296 | 1313 | 2352 | 3350 | 4355 | 5374 | 6453 | 7399 | 8425 | 9399 |
| 298 | 1315 | 2359 | 3355 | 4356 | 5380 | 6456 | 7401 | 8429 | 9407 |
| 301 | 1316 | 2374 | 3362 | 4357 | 5383 | 6468 | 7403 | 8434 | 9408 |
| 306 | 1319 | 2378 | 3363 | 4359 | 5385 | 6470 | 7404 | 8439 | 9411 |
| 308 | 1322 | 2382 | 3366 | 4365 | 5387 | 6473 | 7411 | 8443 | 9425 |
| 318 | 1323 | 2387 | 3368 | 4366 | 5391 | 6485 | 7414 | 8444 | 9439 |
| 323 | 1324 | 2388 | 3369 | 4369 | 5398 | 6498 | 7415 | 8445 | 9445 |
| 324 | 1326 | 2391 | 3371 | 4378 | 5399 | 6499 | 7419 | 8446 | 9446 |
| 329 | 1332 | 2401 | 3373 | 4382 | 5403 | 6502 | 7420 | 8450 | 9447 |
| 340 | 1330 | 2404 | 3383 | 4384 | 5411 | 6504 | 7425 | 8453 | 9448 |
| 350 | 1331 | 2408 | 3388 | 4386 | 5413 | 6526 | 7428 | 8454 | 9455 |
| 351 | 1332 | 2409 | 3392 | 4402 | 5414 | 6531 | 7432 | 8458 | 9457 |
| 363 | 1334 | 2410 | 3397 | 4404 | 5415 | 6533 | 7434 | 8459 | 9460 |
| 368 | 1341 | 2426 | 3403 | 4407 | 5419 | 6534 | 7436 | 8460 | 9462 |
| 370 | 1344 | 2431 | 3421 | 4408 | 5425 | 6538 | 7438 | 8461 | 9463 |
| 371 | 1354 | 2433 | 3426 | 4409 | 5431 | 6550 | 7442 | 8462 | 9465 |
| 374 | 1355 | 2437 | 3429 | 4411 | 5441 | 6553 | 7445 | 8470 | 9466 |
| 378 | 1361 | 2448 | 3430 | 4414 | 5464 | 6555 | 7446 | 8474 | 9467 |
| 380 | 1363 | 2450 | 3431 | 4418 | 5482 | 6555 | 7447 | 8480 | 9471 |
| 385 | 1369 | 2452 | 3434 | 4419 | 5484 | 6557 | 7452 | 8483 | 9472 |
| 386 | 1372 | 2454 | 3439 | 4421 | 5496 | 6562 | 7456 | 8484 | 9474 |
| 389 | 1376 | 2457 | 3441 | 4427 | 5498 | 6565 | 7457 | 8485 | 9477 |
| 392 | 1377 | 2459 | 3443 | 4429 | 5505 | 6572 | 7458 | 8489 | 9484 |
| 396 | 1379 | 2462 | 3445 | 4432 | 5514 | 6574 | 7460 | 8490 | 9486 |
| 397 | 1393 | 2465 | 3451 | 4437 | 5516 | 6580 | 7470 | 8494 | 9491 |
| 399 | 1404 | 2467 | 3463 | 4439 | 5517 | 6581 | 7472 | 8495 | 9502 |
| 402 | 1406 | 2469 | 3464 | 4443 | 5518 | 6585 | 7473 | 8499 | 9504 |
| 414 | 1409 | 2470 | 3468 | 4447 | 5520 | 6586 | 7479 | 8502 | 9507 |
| 415 | 1416 | 2477 | 3478 | 4449 | 5525 | 6588 | 7484 | 8503 | 9518 |
| 417 | 1432 | 2481 | 3479 | 4450 | 5526 | 6592 | 7488 | 8506 | 9519 |
| 418 | 1433 | 2482 | 3482 | 4455 | 5527 | 6593 | 7493 | 8513 | 9520 |
| 420 | 1445 | 2484 | 3483 | 4457 | 5529 | 6598 | 7499 | 8514 | 9521 |
| 421 | 1447 | 2486 | 3486 | 4460 | 5541 | 6600 | 7506 | 8516 | 9527 |
| 424 | 1448 | 2487 | 3487 | 4462 | 5543 | 6604 | 7520 | 8517 | 9528 |
| 431 | 1451 | 2489 | 3489 | 4473 | 5545 | 6607 | 7532 | 8518 | 9530 |
| 438 | 1453 | 2494 | 3515 | 4475 | 5546 | 6609 | 7533 | 8525 | 9531 |
| 442 | 1457 | 2495 | 3521 | 4477 | 5552 | 6610 | 7536 | 8526 | 9535 |
| 456 | 1464 | 2497 | 3523 | 4488 | 5554 | 6615 | 7542 | 8527 | 9543 |
| 457 | 1468 | 2500 | 3526 | 4490 | 5555 | 6617 | 7547 | 8529 | 9548 |
| 458 | 1469 | 2503 | 3527 | 4491 | 5558 | 6618 | 7548 | | |

This advertisement, which has been issued by Morgan Grenfell & Co. Limited, a member of The Securities Association, on behalf of Minorco, has been approved by a duly authorised committee of the Board of Minorco. The Directors of Minorco are the persons responsible for the information contained in this advertisement. To the best of the knowledge and belief of the Directors of Minorco (who have taken all reasonable care to ensure that such is the case) the information contained herein is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors of Minorco accept responsibility accordingly.

MINORCO

INCREASED AND FINAL* OFFER FOR CONSOLIDATED GOLD FIELDS PLC

THE INCREASED OFFER WILL CLOSE AT
1.00P.M. ON WEDNESDAY, 26th APRIL, 1989*

| | |
|------------------------|---|
| MINORCO'S OFFER (a) | CASH SHARES 1,175 355 <u>1,530p</u> |
| MARKET PRICE (b) | 1,283p |

The MIX AND MATCH election, which permits Gold Fields shareholders to elect to receive more cash or more shares, is available only to accepting shareholdings who so elect by 1.00p.m. on Wednesday, 26th April, 1989.

*Minorco has reserved the right to increase its offer or extend the closing date in the unlikely event of a competitive situation. If the Increased Offer becomes or is declared unconditional as to acceptances on 26th April, 1989 it must remain open for acceptance for at least a further fourteen days.

(a) The value of the Increased Offer is based on the market price of one Minorco share of 710p based on the middle market quotation, as derived from The Stock Exchange TOPIC service at 3.00p.m. on 24th April, 1989.

(b) The market price of a Gold Fields share of 1,283p is based on the middle market quotation, as derived from The Stock Exchange TOPIC service at 3.00p.m. on 24th April, 1989.

Copies of the Form of Acceptance may be obtained from National Westminster Bank PLC, New Issues Department, PO Box 33, 153-157 Commercial Road, London E1 2DB (telephone 01-791 0011). Gold Fields shareholders who are in any doubt as to how to fill in the Forms of Acceptance should contact National Westminster Bank PLC, New Issues Department on 01-791 0011.

BUSINESS FOR SALE

TOUCHE ROSS
CORPORATE SPECIAL
SERVICES

Our Corporate Special Services Department has a network of offices throughout the UK, offering guidance on corporate care to companies in distress, as well as comprehensive services to creditors and bankers. Contact any of the partners at our main offices listed below to find out how they can help you best.

| | | |
|------------|--------------------|-------------------|
| London | Christopher Morris | Tel: 01-465 8799 |
| Belfast | Arthur Boyd | Tel: 0232 649111 |
| Birmingham | Andrew Peters | Tel: 021-631 2288 |
| Bristol | David Bird | Tel: 0272 216222 |
| Cardiff | Robert Ellis | Tel: 0222 481111 |
| Glasgow | Robin Wilson | Tel: 041-204 2800 |
| Leeds | Ralph Procter | Tel: 0532 444741 |
| Leicester | John Doleman | Tel: 0533 543598 |
| Liverpool | Stephen Akers | Tel: 051-236 0941 |
| Manchester | Graham Watts | Tel: 061-228 3456 |

Touche Ross

Authorised to carry on Investment Business in Great Britain by the Institute of Chartered Accountants in England and Wales and in Northern Ireland by the Institute of Chartered Accountants in Ireland.

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FOR SALE

An established company has diversified its activities and now offers its DESIGN DIVISION for sale. Equipment comprises: Visual Network, Cadet & Maxl Furniture etc. If purchased as going concern Order Book & Staff are available.

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Well established
(20 years)

and respected product range manufactured in glass reinforced plastics for the building and civil engineering fields.

Excellent profit margin and potential.

Will consider selling tools, good-will and specification in return for an attractive offer.

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J.P. Telling,
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37 Finner Street, Bristol BS1 4PL,
Telephone: 0272 29012

PRESTIGIOUS
MANUFACTURING BUSINESS

Modern slip casting, Ceramic factory (freehold). Fully equipped with modern up to date equipment. Order book available.

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A BUSINESS LIKE YOURS

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We can give you a professional valuation of your business so you'll know what to expect.

We will confidentially seek out suitable buyers. We will also ensure that you get the best possible price.

Furthermore, Hill Samuel will assist you through the final intricate negotiations - to overcome the inevitable problems and to obtain the best possible terms for you and your business.

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HILL SAMUEL

MERCHANT BANKERS

HILL SAMUEL BANK LIMITED 180 Wood Street, London EC2P 2AJ
A Member of The Securities Association

Educational Publishers

The business and assets of Oxford Vision (Resources) Limited (in Administrative Receivership) are for sale as a going concern. The assets include:

- "The Children's Video Bible"
- Video packs for GCSE study including "Animal Farm", "Educating Rita" and "Jesus of Nazareth"
- Further titles and broadcast agreements under negotiation.

Parties interested in the whole or part of the business should contact the Joint Administrative Receiver:
Mr V.M. Bairstow FCA, FIPA, Arthur Young,
Kings Court, 185 Kings Road, Reading,
Berkshire RG1 4EX. Tel: 0734 593171.
Fax: 0734 503105. Telex: 846683 AYRG.



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- ◆ Ladies' wear manufacturer principally for export
- ◆ Children's wear manufacturer
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- ◆ Group turnover in excess of £3.2m p.a.

The business may be sold as a whole or separately.

For further details please contact the Joint Administrative Receiver, R. Hocking FCA (ref 13/PJC).

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The company has 141 employees, an annual turnover of approximately £5,000,000 and a substantial order book.

For further information contact the Joint Administrative Receivers:
David Rowlands or Allan Griffiths,
Grant Thornton, 1 Stanley Street,
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For further information please contact the Joint Administrative Receivers, Iain Allan, CA or Maurice Withall FCA of Grant Thornton, Grant Thornton House, Malton Street, Euston Square, London NW1 2EP.

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Technology Limited
Co-ordinate Probe Card
Company Limited

In Liquidation

The assets of the above two companies are offered for sale. The companies produced test equipment for the quality assessment of processed semi-conductor wafers namely probe cards, wafer probes and wafer inspection equipment some of which are patented worldwide.

Location: Leasehold premises in Lancaster

Turnover: Year ended 31 December 1988 for both companies £0.7M (90% export).

For further information please contact:

R.E.C. Cook,
Joint Liquidator,
Cork Gully,
Abacus Court,
6 Minshull Street,
Manchester M1 3ED
Tel: (061) 236-9200
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Stevenson Contracting Limited (IN RECEIVERSHIP)

- Demolition and earthmoving contractors.
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- Book value of plant and machinery exceeds £1 million.

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- Established contract hire business of specialist earthmoving equipment and other plant.
- Annual turnover of approximately £650,000.
- Workforce of 17.
- Book value of plant and machinery £400,000.

AG Clowes & Co Limited (IN RECEIVERSHIP)

- Scrap metal merchant.
- Annual turnover of approximately £400,000.
- Workforce of 6.

Enquiries to AJP Brereton FCA and R Marsh FCA, Price Waterhouse, York House, York Street, Manchester M2 4WS. Telephone 061-228 6541. Telex: 669591. Fax: 061-228 1429.

Price Waterhouse

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Contact the Joint Administrative Receiver Stephen James

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Telephone: 01-236 8000 Telex: 8811541

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COMMODITIES AND AGRICULTURE

EC agricultural budget to be Ecu2bn below guideline

By Tim Dickson in Brussels

THERE was one boast in Brussels yesterday that rang a little hollow — the European Commission's smug observation that the farm price package finally agreed in the early hours on Saturday respects the Community's budget discipline. Of course it does.

Even if Agriculture Ministers had voted for wild price increases in the guaranteed level of EC support, they could still have kept within the financial ceiling imposed by heads of Government at last February's "watershed" summit. Thanks to the substantial savings made in European export subsidies as a result of last year's drought-induced jump in world market prices, this year's agricultural budget is expected to be a cool Ecu2bn below the famous "guideline" agreed last year, while as things stand the room for manoeuvre in 1990 will be around Ecu4.5bn.

The question throughout this year's negotiations was therefore not whether farm spending was once again set to wreck the Community's finances, but to what extent the new Irish Farm Commissioner Mr Ray MacSharry could pursue his predecessor's more market oriented approach. The outcome is not only significant for EC farmers but for the other major blocs currently trying to

reduce the overall level of global agricultural supports in the General Agreement on Tariffs and Trade (GATT). Broadly speaking, the package finally agreed by Ministers after several compromises from a somewhat hesitant Council chairman, Spain's Mr Carlos Romero, retains the broad price freeze in Ecu terms originally put on the table by the Commission. The big and virtually inevitable concession was contained in the green currencies which convert common Ecu prices into national money.

Final confirmation was not available yesterday afternoon but preliminary Commission calculations suggest that on average EC farm prices will increase by a nominal 2 per cent in national currencies, a real cut when inflation is taken into account but arguably a modest step along the road of reform if viewed from the perspective of the impatient Cairns group of nations in the GATT.

The complex agri-monetary changes — which gave UK producers a 2.7 per cent increase for beef, 4.2 per cent more for sheepmeat, and more than 2.5 per cent extra for cereals before other measures like the subsidies taken into account — were largely responsible for the additional budget-

ary costs of the final package. Mr MacSharry disclosed yesterday that the compromises would add Ecu4m more to this year's budget than the original Commission proposals, and a further Ecu366m to estimated agricultural spending in 1990.

Those looking for signs that the Commission may be softening its tough budgetary line would point to the declarations made on the need to look into milk quota difficulties and the clear statement that reductions agreed in the rate of the milk co-responsibility levy are just a "first step." Previous statements of this kind tend to end with a Commission proposal even if most member states are hostile.

On the other hand, Mr MacSharry deserves considerable credit for resisting West German pressure to allow "ex post facto" flexibility in the application of milk quotas — a potentially costly concession — for insisting that Ministers accept a cut in the sugar price (3 per cent), for further reducing the period of intervention in the cereals sector (thus emphasising the role of intervention as a safety net), and for holding out for a 2 per cent decrease in the butter price (the cut in the milk co-responsibility levy).

Total ban on nitrates ruled out

By Bridget Bloom, Agriculture Correspondent

THE European Commission's plans to curb the use of nitrate fertilisers by farmers does not include a total ban on fertiliser use, a senior Commission official has said.

Mr Jorge Henningsen, in charge of water and air pollution and conservation in the Commission's environment directorate, said that a total ban on the use of nitrogen fertiliser was completely beyond the intention of a draft directive on nitrate use now with the Council of Ministers.

Commenting on adverse reaction to the directive from the British Government and from farmers, Mr Henningsen said in an interview that he felt the "psychological reaction" to the Commission's proposal went far beyond what was included in it.

The Commission's directive, which aims to protect fresh, coastal and marine waters from pollution by nitrates, was strongly criticised last week by the British Government.

British farmers have expressed fears that the directive could make possible a total ban on the use of nitrates in certain sensitive areas like the limestone heaths of Lincolnshire or the sandstone regions of the Midlands.

In a memorandum to the House of Lords Select Committee on Agriculture, published last week, the Commission said that the Commission's proposals were potentially so sweeping that they could have major agricultural, social and economic consequences.

They could result in "nitrate protection zones" being established over the "great bulk" of Britain's arable farmland.

While welcoming the Commission's aim to devise a Community-wide policy on nitrates, the memorandum, jointly produced by the Department of the Environment and the Ministry of Agriculture, labelled the directive unreasonable and inflexible.

Mr Henningsen denied these charges. The directive's aim was to reduce the levels of nitrate in sources of drinking water to the EC legal limit of 50mg per litre.

To this end it envisaged the establishment of nitrate protection zones in vulnerable areas, in which there would be some curbs on nitrate use plus a combination of other measures to be decided by the member state government.

If the British Government decided that most of the coun-

try's arable land was vulnerable to nitrate leaching, there would have to be protection zones established over that land, Mr Henningsen said.

He did not, however, believe that that would mean a complete ban on fertiliser use, suggesting instead that the Commission was thinking more in terms of reductions of 15-20 per cent which should not have a major impact either on yields or farmers' net incomes.

Mr Henningsen said that the Commission was not aiming to dictate to member state governments on the methods to be used to reduce nitrate levels except in one respect.

The Commission felt it was legitimate to put a ceiling on the amount of manure that could be spread on the land.

The Commission believed it was vital to control nitrate leaching both because of its polluting effects on drinking water and because it was helping to destroy aquatic life.

Mr Henningsen said he hoped that the directive, which was published in January and requires unanimous approval, would become law within two years.

Explosion at Outokumpu plant fuels sharp rise in nickel price

THE PRICE of nickel rose sharply on the London Metal Exchange yesterday after Outokumpu, the Finnish mining and metals group, declared force majeure on nickel deliveries because of an explosion on Saturday at its Harjavalta smelter, writes Kenneth Gooding, Mining Correspondent.

A larger-than-expected fall in LME nickel stocks added to fears about the availability of the metal. There was a fall of 648 tonnes last week, taking

stocks to 2,412 and their lowest level since December, 1988.

Nickel prices were buoyant last week after news about problems at Inco's Thompson plant in Canada and uneasiness about the possibility of a strike at Falconbridge's Sudbury facility, also in Canada, and a new labour contract is not agreed this month.

Traders said nickel soared by \$1,400 a tonne at one stage yesterday, boosted by aggressive producer re-purchasing

and European and Far Eastern buying. Then sellers emerged, particularly US consumers taking profits.

By the close nickel for immediate delivery was \$18,600 a tonne, up \$750, and three-months metal was up by \$625 at \$18,100 a tonne.

Outokumpu said that an explosion and fire at the oxygen plant at the Harjavalta smelter had interrupted production of both copper anodes and nickel cathodes.

The smelter produces about 50 tonnes of nickel a day, half of which goes to Outokumpu's own stainless steel operations, and 300 tonnes of copper, which all goes to its refinery at Vammala, 300 kilometres away.

The copper smelter was restarted without oxygen yesterday but will produce at only 25 per cent of capacity, the company said.

Outokumpu's own oxygen plant was destroyed and the

company yesterday could not say how long it would take to replace. Another oxygen plant nearby, owned by Agn, was less severely damaged and might be back in operation in two weeks' time. It can provide more than half the smelter's oxygen requirements, Outokumpu said.

The company said production losses were estimated at a day's output (\$143,000) but were covered by insurance, as was the damaged equipment.

Harjavalta smelter's unhappy anniversary

Kenneth Gooding on a mining and metals group dogged by incredibly bad luck

An almost-incredible bit of bad luck has hit Outokumpu, the Finnish mining and metals group. Last week it celebrated the 40th anniversary of the start-up on April 20 of its first flash smelter, among other things by taking reporters to the Harjavalta plant where that smelter was installed. On April 22 an explosion at the oxygen plant on the site brought the Harjavalta flash smelters to a halt.

This is the third incident in less than a year at plants using Outokumpu's flash smelting methods. Fortunately, nobody was seriously hurt in the Harjavalta incident but in the other two — at Magma Copper's San Manuel smelter in Arizona and the Chuquibambilla smelter owned by CODECO in Chile — there were fatalities.

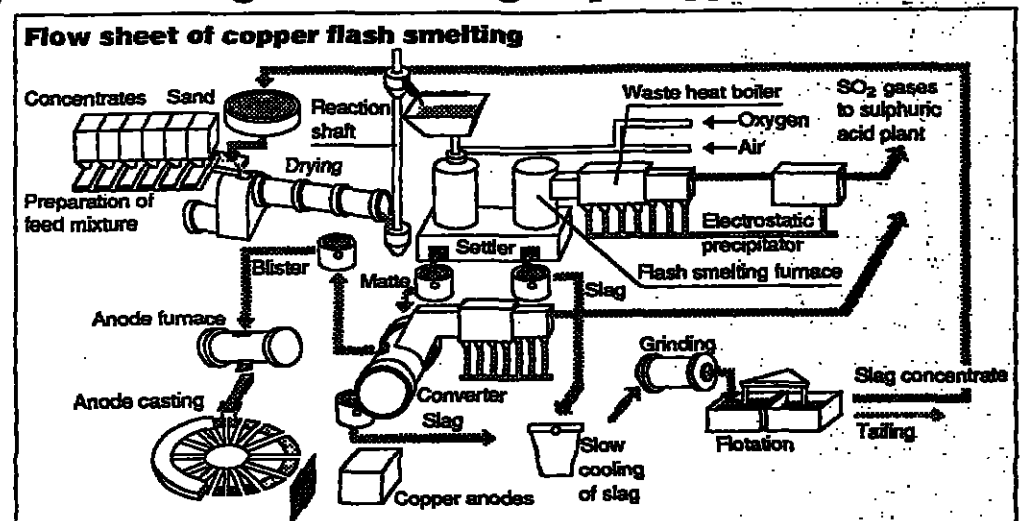
This obviously raises some questions, not the least because Outokumpu's flash smelting method is widely heralded as one of the most significant achievements in copper metallurgy this century.

However, according to Mr Simon Hobson, a director of the Metals and Minerals Research Services consultancy group, "flash smelting is unquestionable. Currently smelters with combined production capacity of more than 2m tonnes a year are in operation with their smelting chambers taking terrific poundings from the explosions of the sulphur inside."

In fact, in two of the incidents the flash smelting furnaces, which hold molten material bubbling between 1,400 and 1,500 degrees centigrade, were not even involved.

At Harjavalta it was a separate oxygen plant which exploded — for reasons that are not yet clear. In the Magma accident a waste heat boiler was being cleaned.

Only at Chuquibambilla was the flash smelter's furnace directly involved. Outokumpu still has no exact details of



what happened because officials of the state-owned CODECO, which was going through a change of top management at the time, seem reluctant to give them.

It is known that there were two interruptions to the power supply within a short space of time and this probably caused a failure of the cooling system which sends water continuously cascading down the outside of the furnace to bring the temperature down to about 350 degrees centigrade.

About 20 people were using hoses to spray the furnace on Friday, January 13 when it exploded.

Outokumpu first developed its flash smelting method in the aftermath of the second world war. Finland had lost 20 per cent of its hydro-electric generating capacity and faced a power shortage as new industries pushed demand and prices higher. In 1948 power costs represented 60 per cent of total copper production costs.

Outokumpu's metallurgists responded with an idea which had never been tried on an industrial scale — autonomous smelting. The method uses the latent heat contained in sulphide ores as the energy source to bring the ore concentrate up to smelting temperature.

Mr Jukka Sulanto, manager, pyrometallurgy, for Outokumpu engineering division, says his company estimates that, as demand for copper is growing at an annual 1.5 to 2 per cent, the equivalent of a new smelter will be needed every year for the next decade.

Much of the increased capacity will be achieved by expanding existing smelters — and this might bring Outokumpu some business because flash furnaces and auxiliary equipment can be installed in old facilities. However, he believes the next new smelter will be installed by Mitsubishi in Texas.

Work on a pilot plant started at Harjavalta in 1946 and after the official start-up in 1949 continuous smelting was maintained almost without electricity or fuel.

Today there are more than 35 flash smelters worldwide using the Outokumpu method. Flash smelting can also be applied to pyrite and nickel.

Harjavalta has separate copper and nickel smelters — and has been used for lead in a pilot plant.

Outokumpu's process solves the contradictory requirements of profitability of environmental impact by keeping emissions so low that if necessary smelters can be placed in residential areas.

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Canadian gold mine plan

By David Blackwell

CONTINENTAL GOLD, a company formed just over a year ago, believes it is on course to open what will be the second biggest gold mine in Canada late in 1992.

Drilling tests already carried out at its Mount Milligan gold and copper site in British Columbia suggest the mine would produce 120,000 ounces of gold and 44m lbs of copper a year for 15 years.

But the company is confident that further survey results expected next year will lift expectations to 278,000 ounces of gold and 63.9m lbs of copper over the same period. Only Hemlo's Golden Giant mine is

more productive in Canada, with 332,000 ounces of gold a year.

Mr Bob Dickinson, president of the company, said the project was financed until feasibility studies finished next year. Continental owns 70 per cent of the project in a joint venture with BP Resources Canada, which owns the remainder.

At the higher rate of recovery expected, the partners will need to raise C\$290m to go ahead with the open cast mine.

Mr Dickinson said the mine was an unusual discovery for British Columbia. "It is the gold/copper mix that makes this a significant discovery."

Aluminium growth 'unharmful'

By Kenneth Gooding

THE period of very high aluminium prices last year was too short to do any serious damage to the metal's demand prospects and consumption should start to grow at a "respectable pace" again from 1990, observers suggest.

Consequently, aluminium consumption in 1989 is forecast to remain virtually unchanged from last year's level of 13.1m tonnes.

The sharp deterioration in aluminium's competitive position to mid-1988 is partly responsible for the current sluggish growth in consumption and will continue to exert a depressant effect for some months yet, it adds.

At the same time the economic slowdown which is developing in the industrialised world is particularly marked in metal-intensive sectors such as car production and construction.

Consequently, aluminium consumption in 1989 is forecast to remain virtually unchanged from last year's level of 13.1m tonnes.

Until the recent past Bird has given repeated warnings that the industry was not investing enough in new capacity to keep pace with projected demand. It now says, however, that, after discounting projects

which are unlikely to come to fruition "we think the amount of new smelter capacity now being planned for the longer term is about right."

Producers have become more optimistic, it points out.

Stronuous recent efforts by the producers have resulted in aluminium moving back into surplus again and producer stocks have started to rise.

Aluminium Analysis, quarterly from Anthony Bird Associates, 193 Richmond Road, Kingston-upon-Thames, Surrey, KT2 5DD. 2985 a year.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices closed ahead,

extending early gains in the afternoon on news that workers at Island Copper in British Columbia had voted in favour of strike action. Miners there kept working after their labour contract expired on April 12 while negotiations continued. Earlier this month, the company said there was no recent history of strikes at the mine, which usually manages to settle its differences. The early advance was supported by news of stock falls on both Comex and the LME. A 10,275 tonne fall in LME warehouse stocks of aluminium pushed prices higher, continuing Friday's firm trend, and reflecting a lightning of mid-July delivery dates as traders sought to cover against potential commitments against options.

CRUDE OIL (per barrel FOB)

Cuba \$11.50-7.75 + 0.05

Brent \$20.00-30.00 -0.25

WTI (12 m est) \$21.00-1.50 -0.05

Oil products

NMPC prompt delivery per tonne CIF +0.05

Premium Gasoline \$20.25-25.00 +1

Gas Oil \$20.00-25.00 +1

Heavy Fuel Oil \$18.00-23.00 +1

No. 6 Fuel Oil \$18.00-23.00 +1

Portroleum Argus Estimates

Other

Gold (per troy ounce) \$384.75 +0.25

Silver (per troy ounce) \$6.00

Platinum (per troy ounce) \$544.00 -3.6

Palladium (per troy ounce) \$168.75 -4.25

Aluminium (per tonne) \$220.00 +1.25

Copper (US Producer) \$141.14-146.00 +1.25

Lead (US Producer) \$37.50

Nickel (free market) \$74.00

Tin (European free market) \$10,000.00 +0.75

Tin (Kuala Lumpur market) \$7,000.00 -0.70

Tin (New York) \$44.50

Zinc (US Prime Western) \$171.00 +0.20

Cattle (live weight) \$118.75

Sheep (head weight) \$29.41 +0.58

Pigs (live weight) \$6.94 +0.48

London daily sugar (raw) \$311.00 +1.6

London daily sugar (white) \$340.00 +1.6

Ten and Life export price \$29.00 +1.5

Barley (English feed) \$103.75

Maize (US No. 3 yellow) \$134

Wheat (US Dark Northern) \$132.75

Rubber (smoke) \$58.50 +0.25

Rubber (Latex) \$7.00

Rubber (Latex) \$6.50

Rubber (Latex) \$6.50

Coconut oil (Philippines) \$56.00 +5

Palm oil (Malaysia) \$40.00

Cocoa (Philippines) \$23.00

Soyabean (US) \$20.00

Cotton "A" Super \$75.00 +0.50

Wooltop (64 Super) \$20.00

A 1000 unitless otherwise stated, p-pence/kg, c-cents/lb, r-rings/lb, v-vinyl, u-units, m-May, Jun-June, A-April, May-May, W-Wednesday, M-Monday, T-Tuesday, Th-Thursday, F-Friday, S-Saturday, S-Sunday, R-Roman, S-Spanish, M-Mexican, A-American, B-Brazilian, C-Canadian, F-French, G-German, I-Italian, J-Japanese, K-Korean, L-Latin, N-Norwegian, O-Others, P-Panama, Q-Qatar, R-Romania, S-Saudi, T-Turkey, U-Ukraine, V-Vietnam, W-Wales, Y-Yugoslavia, Z-Zimbabwe, and other countries as indicated.

COCA Cola

Close Previous High/Low

May 730 747 739 735

Jul 755 762 755 746

Sep 770 777 770 764

Nov 785 792 785 779

Jan 800 807 800 797

Mar 815 822 815 809

May 830 837 830 827

Jul 845 852 845 841

Sep 860 867 860 857

Nov 875 882 875 871

Jan 890 897 890 887

Mar 905 912 905 901

May 920 927 920 917

Jul 935 942 935 931

Sep 950 957 950 947

Nov 965 972 965 961

Jan 980 987 980 977

Mar 995 1002 995 991

May 1010 1017 1010 1007

Jul 1025 1032 1025 1021

Sep 1040 1047 1040 1037

Nov 1055 1062 1055 1051

Jan 1070 1077 1070 1067

Mar 1085 1092 1085 1081

May 1100 1107 1100 1101

Jul 1115 1122 1115 1111

Sep 1130 1137 1130 1127

Nov 1145 1152 1145 1141

Jan 1160 1167 1160 1157

Mar 1175 1182 1175 1171

May 1190 1197 1190 1187

Jul 1205 1212 1205 1201

Sep 1220 1227 1220 1217

Nov 1235 1242 1235 1231

Jan 1250 1257 1250 1247

Mar 1265 1272 1265 1261

May 1280 1287 1280 1277

Jul 1295 1302 1295 1291

Sep 1310 1317 1310 1307

Nov 1325 1332 1325 1321

Jan 1340 1347 1340 1337

Mar 1355 1362 1355 1351

May 1370 1377 1370 1367

Jul 1385 1392 1385 1381

Sep 1400 1407 1400 1397

Nov 1415 1422 1415 1411

Jan 1430 1437 1430 1427

Mar 1445 1452 1445 1441

May 1460 1467 1460 1457

Jul 1475 1482 1475 1471

lower in only moderate trade as dealers returned to the view that, with no third party currently showing interest in challenging the SmithKline merger plan, the market has priced shares in the UK chemicals

Also traded relatively lightly was Consolidated Goldfields, which fell back as London awaited news from a crucial court hearing in New York. Tomorrow at 1 pm London time is the deadline for Minorco's £3.5bn bid for Gold Fields, but there were no signs yesterday of any significant investment activity in London by the big institutions.

Asda, where another 13m shares changed hands, climbed 7 to 180p% on further speculation that a bid will be launched, either by A&P of the US or Aldi, a West German retailer. Sir James Goldsmith, the Anglo-French financier, was also mentioned as a possible stakeholder.

The talk yesterday, as all last week, was of strong US West German interest in Asda. One analyst noted that such talk could involve just one potential bidder, a West German private supermarket group, Tengelmann, has a controlling stake in A&P. It is also believed that a West German retailer has recently been looking into the possibilities of making an offer for a quoted UK supermarket chain.

Gateway 5 better at 191p% on turnover of 20m shares, were buoyed by expectations

that a bid could be launched to rival the existing 195p-a-share offer from Isosceles.

Press reports that the Government was considering the widespread irradiation of food liable to contamination boosted Isotron 29 to 236p in thin trade.

Haden Maclellan's £20m agreed bid for WA Holdings helped the latter put on 8 to 49p, compared with the offer price worth the equivalent of

about 51p. Haden closed a penny better at 227p, some 3 below the best of the day.

Really Useful followed the successful opening last week of its latest West End show with the film purchase of the copyright on a 21-year old musical. The price climbed 15 to 658p.

A stock shortage and vague talk of either management of leveraged buyout plans boosted Frerich Holdings to 130p before the price subsided to 128p, a net 5 better.

WEDEN ANNUAL REPORT INDEX 1-9-8-9

REPORT INDEX

1-9-8-9

remaining part is mainly ordinary
amounted to GBP 86 million
last year.
In the past four years, we have
structure to our long-term obj

been appointed managing director and chief executive of JULIAN HODGES & CO. Cardiff. He has been with the Hodge Group since 1966. The group was acquired by the Standard Chartered Bank in 1973. In 1975 Mr Cave was appointed managing director of Forthright Finance, a wholly-owned instalment credit subsidiary of the then Commercial Bank of Wales, which in turn was an associate company of the Hodge Group. He was appointed to the main board of Bank of Wales Group in 1978 and a non-executive director of The Carlyle Trust in 1986.

appointed a director of BALTIC from May 2. Formerly a director of Forward Trust, Mr Gurney is also a director of asset financing activities.

■ **PARRIS STOCKBROKERS** has promoted Mr Jeremy

■ Mr Steve Turner has been appointed to the board of CLARKE HOMES, a HICC company in the Balfour Beatty Group.

worked on adapting our Group
atives. By acquisitions and large

worked on adapting our Group
atives. By acquisitions and large

the environmental aspects also contribute to the company's ability to protect satisfactorily the environment. The environment is not a luxury, it is an important means of production, a matter of survival. We are active in those areas in which we are successful. In the chemicals sector we have defined a strategy for the future, the success of which is determined by efficient channels and market share. The company's success in the market accounts for a significant part of our success. We have a good platform for expansion. With high technology, much experience and a strong management team – we will be able to attain our goals in the market.

| Name | Title |
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EDEN ANNUAL

● London Report and latest Share Index: Tel. 0898 123001

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

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change on the session at 40p. After its shares were suspended at 98p property group Marler Estates announced it had received a bid approach; the market believes Marler is in discussions with Conrad Holdings, the group run by Mr John Dugan, the former chief executive at Mountleigh. Conrad Holdings ended a tough battle at

The latest acceptances (nearly 83 per cent) and extension of the Hambros offer for

Bambros Investment Trust left shares of the latter 3½ up at 301¼p. British Empire Securities (46½p) hardened following the first-half return to profitability while American Trusts (136p) improved after news that Lincoln County Council

Nobel Industries operates through
Biotechnology
Pulp and Paper Chemicals
Ordinance

**Chemicals and Explosives
Consumer Goods
Adhesives and Paints
Plastics
Surface Chemistry
A listed industrial conglomerate
the Group.**

Nobel Ind



100

Attach your business card or

REPORT INDEX 1

— The corporate strategy of Nobel Industries combined with its dedicated staff and a strong financial base, provides us with really good prerequisites for the future.

Anders G. Carlberg,
President and CEO

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Annual Report Promotion,
P.O. Box 100 55 Stockholm, Sweden.

REPORT INDEX 1989

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Continued on next page

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LONDON SHARE SERVICE

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ELECTRICALS

هَذَا مِنْ الْأَصْلِ

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Uncertainty depresses D-Mark

THE WEST German D-Mark lost ground in currency markets yesterday as investors switched their attention to the Japanese yen and the US dollar.

Sentiment was undermined by suggestions that the Japanese central bank may increase its discount rate in response to uncertainty over the Recruit Cosmos share scandal which has undermined confidence in the Japanese administration. There is also concern that the authorities may raise rates further after the imposition of a new sales tax led to a sharp rise of 1.5 per cent in Japanese wholesale prices in the first 10 days of April over the corresponding period in March.

Investors are also cautious because many feel that an announcement about the West German 10 per cent withholding tax, expected on Thursday, will recommend a revision to the unpopular tax, rather than its removal.

The D-Mark was down to 170.80 by midday yesterday from 171.05 on Friday and slipped further in the afternoon to finish at 170.71. It was also weaker against the Swiss franc, following news of an increase in several Swiss bank deposit rates, and the Swiss franc edged up to DM1.330 from DM1.320 previously.

Weakness in the D-Mark helped the dollar to show an

overall improvement in an otherwise featureless market. Traders are waiting for the release of US durable goods orders today for March and first quarter Gross National Product data due tomorrow.

With many investors remaining on the sidelines, the dollar lacked sufficient impetus to test resistance at DM1.8640, and closed at DM1.8610, still well up from the close on Friday of DM1.8485. It was also slightly firmer against the yen at ¥131.40, else where it finished at ¥131.40 from ¥131.35 and ¥131.30 on Friday. On Bank of England figures, the dollar's exchange rate index rose from 67.7 on Friday to 67.9.

Sterling traded very steadily, its exchange rate index opened and closed at 95.4 compared with 95.5 on Friday. Investor interest in the pound has been subdued by the proximity of UK March trade figures, due for release tomorrow, a figure much above the median fore-

cast of a £1.5bn current account deficit will renew downward pressure on the pound and increase the possibility of a rise in bank base rates.

However, the pound retained its stability, because the current high level of UK rates and the threat of a further rise have combined to make it extremely expensive to run short sterling positions.

The pound fell against the dollar to \$1.7050 from \$1.7150 but improved slightly to DM3.1725 from DM3.1700. However, it lost ground against the yen to ¥225.55 from ¥225.56, and finished elsewhere at ¥170.7500 from ¥170.7575. It was unchanged against the Swiss franc at Sfr2.8000.

The French franc remained underpinned by the relatively high level of French interest rates and investor confidence in the French economy. The D-Mark fell to FF5.3850 from FF5.3915 on Friday.

| EMS EUROPEAN CURRENCY UNIT RATES | | | | |
|----------------------------------|------|--------------|-------------------------|-------------------------|
| | Unit | Current rate | % change from 24 Apr 89 | % change from 24 Apr 89 |
| Belgian Franc | 100 | 42.4582 | +0.0000 | +0.0000 |
| Dutch Guilder | 100 | 3.360312 | +0.0000 | +0.0000 |
| French Franc | 100 | 6.559575 | +0.0000 | +0.0000 |
| Italian Lira | 100 | 1.936270 | +0.0000 | +0.0000 |
| Spanish Peseta | 100 | 166.6389 | +0.0000 | +0.0000 |
| Portuguese Escudo | 100 | 200.4824 | +0.0000 | +0.0000 |
| Irish Punt | 100 | 7.875643 | +0.0000 | +0.0000 |
| German Mark | 100 | 1.000000 | +0.0000 | +0.0000 |
| Swedish Krona | 100 | 4.663359 | +0.0000 | +0.0000 |
| UK Pound | 100 | 6.559575 | +0.0000 | +0.0000 |

Changes are for the week ending 24 April 1989. Figures are for the week ending 24 April 1989.

Forward rates are for the week ending 24 April 1989.

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FINANCIAL TIMES

4pm prices April 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month | High | Low | Stock | Div. Yld. | 2000 High | Low | Close | Open | 12 Month | High | Low | Stock | Div. Yld. | 2000 High | Low | Close | Open | 12 Month | High | Low | Stock | Div. Yld. | 2000 High | Low | Close | Open | 12 Month | High | Low | Stock | Div. Yld. | 2000 High | Low | Close | Open | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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AMEX COMPOSITE PRICES

**4pm prices
April 24**

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| | 12 | 89 | 22 1/2 | 24 1/2 | 25 1/2 | + | 1 1/2 | | - | P-Q | - | | |
| | | 155 | 3 1/2 | 3 1/2 | 3 1/2 | - | 1 1/2 | FACE | 23 | 398 | 14 1/2 | 14 1/2 | 14 1/2 |
| | | 20 | 2 1/2 | 2 1/2 | 2 1/2 | - | 1 1/2 | FACE | 23 | 398 | 14 1/2 | 14 1/2 | 14 1/2 |

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AMERICA

Dow displays resilience in the face of profit-taking

Wall Street

PROFIT-TAKING pushed the Dow Jones Industrial Average modestly lower yesterday following its surge last week past 2,400 for the first time since before the October 1987 stock market crash, writes Janet Bush in New York.

The Dow closed 6.78 points lower at 2,402.88 on sluggish volume of 142.881m shares. However, the market showed considerable resilience, bouncing back from a fall of 16 points during the morning.

The mood is noticeably buoyant. The Dow's new post-crash highs on three days last week, surging to above 2,400 on Friday in spite of Thursday's surprise news that the Bundesbank had raised its discount and Lombard rates.

The Dow Jones Transportation index hit an all-time high last week, helped considerably by a strong performance by NWA, the holding company for Northwest Airlines, on speculation that it would sell itself to a potential bidder.

NWA was unchanged yesterday at 102.4 after its chairman said that the company was exploring the possibility of placing a stake in the hands of a friendly investor as a defence against a takeover.

Other market indices are now within striking distance of their all-time highs. The Dow Jones is around 11.5 per cent away while the Standard & Poor's 500 and the New York

Stock Exchange Composite Index are 8 per cent below their all-time peaks.

Some selling was expected yesterday after the surge in the DJIA. Technical analysts also noted that perhaps 20 points of last Friday's 32.08 point rally was attributable to buying related to the expiration of some April options and the Major Market Index futures.

However, the bounce from the lows reached on profit-taking yesterday morning suggests there is considerable momentum in this market in spite of a much shakier performance in the Treasury bond market. One comforting factor has been the stubborn stability of the dollar in spite of higher interest rates overseas. The dollar stood in mid-range at Y131.55 and near its highs for the session against the West German D-Mark at DM1.361, from an earlier low of DM1.345.

The relatively robust performance by the US equity market came even though there was growing speculation of a hike in the Japanese discount rate. Although the timing of any such move remains unclear, most economists believe Japan will indeed raise the discount rate at some stage in response to higher inflation.

There are a number of economic releases this week which will provide clues for the equity market including today's March durable goods orders, tomorrow's preliminary GNP, Thursday's March personal income and consumption

and Friday's March leading indicators.

Drug stocks weakened yesterday on disappointment that F Hoffmann-La Roche, the Swiss company, is not, after all, about to launch a bid for any US drugs groups. Rumours that this is what it was planning had boosted drug stocks.

Rumoured targets fell sharply. Syntex slumped 3.7% to \$44, exactly wiping out Friday's gain. Rorer Group fell 1% to \$41 and Pfizer lost 3% to \$61. Diebold added 3.2% to \$45 on a press report that Mr Louis Calia, a New Jersey-based investor, had built up a 3.5 per cent stake in the company.

Xyvision added 4% to \$64 in over-the-counter trading after it was featured in a business magazine as trading at an all-time low despite strong earnings expectations. Among blue chips, which were generally lower, Procter & Gamble fell 1% to \$94, Merck dropped 1% to \$67, and Philip Morris lost 1% to \$125.4.

Canada

BUYING among golds and base metal stocks was offset by selling in energy and industrial stocks on the Toronto Stock Exchange. Bullion prices, nickel and zinc gained strength but crude oil futures fell sharply.

The composite index rose 3.70 to 3606.20 as declines edged advances 365 to 271. Volume was a light 17.6m shares.

By Alison Maitland

SIGNS of a weakening in inflation allowed the US market to put in a rare star performance last week as equities surged from one post-crash high to another.

The market's solid 2.6 per cent ascent took off when US housing figures for March proved considerably weaker than expected and consumer prices for that month showed a restrained 0.5 per cent rise.

Buoyed by active turnover and its own upward momentum, the market shrugged off a steep climb in oil prices and suffered only a temporary hiccup on Thursday when the West German Bundesbank announced a surprise increase in interest rates.

The euphoric mood was greeted with scepticism by some speculators. "One might have supposed that confirmation of a slowdown in business conditions would have been of concern," says Hoare Govett in its weekly stock market review. "Presumably it indicates lower levels of profitability and probably lower asset valuations also. Instead New York and London reacted ecstatically."

The US was just beaten into first place last week by Norway, which found further fuel

for its roaring rise so far this year in the form of higher oil prices. It managed a 3 per cent gain, though it could be argued that the US performance was rather more significant given the relative size and liquidity of the two markets.

Across the Pacific, another lacklustre week for the Japanese market detracted from Wall Street's glory and left the World Index just 0.4 per cent better. With Japan accounting for 44 per cent of world capitalisation against America's 30 per cent, the weakness of Japanese stocks since the start of March has weighed on world performance.

Last week's 1.5 per cent loss concealed a record high on the Nikkei average on Wednesday. Individual investors were responsible for what buying there was, but the market's confidence was sapped by the reluctance of institutions to enter the fray. More expensive oil, a weakening yen and the deteriorating political climate all clouded the outlook.

The UK market remained engrossed in worries over higher interest rates, although these were offset by bid speculation and equities gained 0.2 per cent on the week.

Among the other winners was Australia, which followed

close on the heels of the US with a 2.5 per cent rise as investors responded more confidently to the latest negative balance of payments news and the oil sector enjoyed a boost from higher crude prices.

The antipodean picture is far from rosy, however. Australia still stands out as the only market to be lower now than at the start of the year, while New Zealand, which managed a healthy 1.7 per cent gain last week, is the only one below its level a year ago.

Europe had a mixed week, coming out slightly better overall in spite of weakness in West Germany and Switzerland triggered by the rise in the West German Lombard and discount rates. Austria also fell back after racing up for most of this year.

Denmark followed Norway as the second best performer in Europe, with France third. Sterling investors have generally enjoyed strong currency gains so far this year, with the World Index up 9.6 per cent in sterling terms compared with a 7.3 per cent rise in local currency. Thanks to the pound's weakness and the strength of the dollar, the US market has climbed 17.3 per cent in sterling terms against only 11.2 per cent in local currency.

| | % change in local currency | | | | % change in sterling |
|--------------|----------------------------|---------|--------|---------------|----------------------|
| | 1 Week | 4 Weeks | 1 Year | Start of 1988 | |
| Austria | -1.65 | +12.58 | +48.08 | +32.98 | +34.92 |
| Belgium | +0.92 | +3.78 | +18.71 | +5.00 | +6.48 |
| Denmark | +1.88 | +5.59 | +68.09 | +20.55 | +21.08 |
| Finland | -0.40 | +4.82 | +27.45 | +18.02 | +25.16 |
| France | +1.47 | +6.58 | +52.74 | +10.53 | +12.35 |
| West Germany | -0.53 | +5.01 | +25.70 | +4.60 | +5.88 |
| Ireland | -0.42 | +3.48 | +52.74 | +17.49 | +15.98 |
| Italy | +1.24 | +2.21 | +19.78 | +2.40 | +3.80 |
| Netherlands | +0.75 | +4.08 | +25.48 | +13.21 | +14.57 |
| Norway | +2.99 | +12.97 | +69.31 | +43.84 | +48.17 |
| Spain | +0.57 | +4.18 | +4.89 | +6.52 | +10.46 |
| Sweden | +0.40 | +1.08 | +41.08 | +11.74 | +14.55 |
| Switzerland | -1.10 | +2.81 | +13.94 | +6.67 | +3.55 |
| UK | +0.22 | -0.40 | +16.28 | +14.40 | +14.40 |
| EUROPE | +0.35 | +2.14 | +22.62 | +10.75 | +11.48 |
| Australia | +2.54 | -2.47 | +2.90 | -3.37 | -4.88 |
| Hong Kong | +0.47 | +1.20 | +27.18 | +18.87 | +23.69 |
| Japan | -1.15 | +3.12 | +15.12 | +3.03 | +3.38 |
| Malaysia | +0.73 | +7.58 | +42.94 | +22.97 | +30.84 |
| New Zealand | +1.31 | +2.82 | -3.80 | +5.76 | +6.52 |
| Singapore | -1.34 | +2.61 | +24.25 | +21.22 | +26.23 |
| Canada | +0.88 | +1.73 | +6.50 | +7.91 | +14.55 |
| USA | +2.59 | +6.60 | +18.92 | +11.19 | +17.27 |
| Mexico | +2.44 | +6.36 | +33.13 | +14.46 | +14.10 |
| South Africa | +1.33 | +0.10 | +63.18 | +28.88 | +29.37 |
| WORLD INDEX | +0.43 | +3.83 | +17.75 | +7.31 | +8.58 |

Based on April 24 1989. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited.

There are one or two exceptions, notably Switzerland, where the weakness of the Swiss franc against other leading currencies has left sterling investors with a 3.6 per cent gain against a rise in the local currency index of 6.7 per cent.

ASIA PACIFIC

Nikkei wilts after dose of discount rate speculation

Tokyo

SPECULATION about an increase in Japan's official discount rate kept investors wary and share prices suffered a third consecutive setback on the lowest turnover this year, writes Michio Nakamoto in Tokyo.

The Nikkei average closed down 223.89 at 32,956.92 after trading as high as 33,115.13 and as low as 32,703.83. Declines led advances by 634 to 256 while 181 issues were unchanged.

Turnover sank to 464m shares from 875m on Friday. The Toxix index of all listed shares dropped 15.21 to 2,422.98 and in later London trading the ISE/Nikkei 50 index closed 0.94 lower at 1,915.29.

This bad case of Monday blues showed the market was not reassured by a statement on Friday by the Minister of Finance denying that there would be an imminent increase in the official discount rate.

Many investors, fearful of growing inflationary pressures because of rising oil prices, preferred to await the announcement of the April consumer price index for Tokyo on Friday before committing themselves to the market. Consumer prices in April are seen as an important indicator of inflationary tendencies as they will reflect the impact of a new consumption tax introduced this month.

Analysts said Japan's historically low official discount rate would rise 50 basis points to 3 per cent if the consumer price index shows a rise of an annual 3 per cent.

Meanwhile, the approach of the Golden Week holidays at the end of the week kept individuals out of the market,

reducing volumes to unusually low levels even for a Monday. Political troubles were also expected to persist, adding to the caution.

There was less enthusiasm for many sectors that had been rising recently on waves of popular buying. Even the activity of a large number of indexed funds failed to give sufficient support.

But the fall in the Nikkei was largely caused by a lack of buying rather than a lot of selling, analysts said. Issues with good earnings prospects and low price earnings ratios continued to attract interest. Kitagawa Iron Works, a maker of construction machinery, closed up Y20 at Y1,050, selected for its low p/e and good business fundamentals supported by increased capital investments.

Large capitalisation steels were actively traded but most suffered losses as investors stayed away from interest rate sensitive issues. Sumitomo Metal was most actively traded with 12.5m shares but closed down Y6 at Y874. Kobe Steel, also among the top 10 volume leaders, lost Y19 to Y881. But Nippon Steel, second in volume with 10.9m shares traded, added Y5 to Y915.

Sato Kogyo, the medium-sized construction company that has led the remarkable performance of the construction sector, lost Y30 to Y2,540. It was the third most actively traded at 10.5m shares.

Tokyo Rope Manufacturing, Japan's largest wire rope maker, took the biggest loss of Y300 to Y1,520 on talk that a speculators' group which had been cornering the stock was having financial trouble.

In Osaka caution prevailed and volume touched a low for the year of 27.9m shares. The

OSE average dropped 197.26 to 31,803.63. Sato Kogyo, popular in the construction sector, maintained interest and added Y20 to Y2,580.

Roundup

THE RISE on Wall Street on Friday helped most leading markets in Asia Pacific but Hong Kong was depressed by political uncertainties in China.

AUSTRALIA was boosted by the news of a hostile raid on Goodman Fielder Wattie by Ranks Hovis McDougall. The All Onward index rose 23.8 to 1,476.1 in strong turnover of 146m shares worth A\$335m.

The unexpected A\$3.1bn bid for Goodman injected further life into the market. Goodman climbed 54 cents to A\$2.55 as 88m shares worth A\$224m changed hands.

Among other industrials, Bond Corp fell a further 16 cents to A\$1.14.

SINGAPORE saw profit-taking whittle away early gains to leave the market marginally higher at the close. The Straits Times industrial index rose 2.57 to 1,247.24 after nothing up a 9-point rise at midday. Rises led falls by 133 to 92 and turnover dropped to 99m shares from 116m on Friday.

Rotor group Faber Merin, the most active stock, rose 5 cents to 45¢ as some 7.2m shares changed hands.

HONG KONG ended a volatile session slightly lower in its trading. The Hang Seng index fell 13.24 to 3,085.99 after fluctuating between 3,081 and 3,118 in turnover worth HK\$849m.

Sentiment was influenced by overseas uncertainty over confrontations between students and the Chinese Government.

EUROPE

Excitement fizzles out in restrained trading

PRICE movements were restricted in Europe yesterday after last week's excitement, and bigger houses closed steady to easier, writes Our Markets Staff.

FRANKFURT ended weaker in moderate trading, giving up an early rise. The FAZ at mid-session was down 1.63 at 575.56 and the DAX closed 7.83 lower at 1,368.38. Volume was DM3.1bn, well below last week's active levels.

There had been optimism that a possible extension of the withholding tax mooted on Friday by Mr Theo Walgel, the new finance minister, would spur equities. A rumour that the Government might seize the opportunity to sweep away the share turnover tax also made the rounds in early Frankfurt trading.

But the market had fallen less than expected on Friday in the wake of the Bundesbank's interest rate bombshell, and yesterday's final weakness was seen as a delayed reaction.

Banks and chemicals featured among the top 10 active stocks and all ended weaker, with Hoechst, due to announce its dividend today, off DM2.60 at DM299.90. Siemens, the most active share, lost DM3.20 to DM30.50.

PARIS had a patchy session, offering little in the way of excitement and ending little changed. But volumes were boosted by a late block trade in Pechelbrunn with a chunk of about 800,000 shares changing hands at FF1,042, the price at which the stock closed the day, and a gain of FF17.

Other active stocks included takeover candidate Casino, which rose FF2.30 to FF23.90 and Matra, up FF6 to FF300 after positive weekend press reports.

GMT-Entrepose saw the day's biggest gain, jumping FF108, or 8 per cent, to FF1,469 on talk that it had concluded its agreement on cooperation on offshore oil

platform business with McDermott International of the US. GTM's marine oil subsidiary is loss-making.

The CAC General index, based on opening prices, rose 2.4 to 70.4, but by the end of the day the CAC 40 real-time index was off 1.77 at 1,698.67. The CMC 50 index eased 0.02 to 481.57.

ZURICH focused on the possibility of higher interest rates and ended steady, with news of Hoffmann-La Roche's share restructuring having little effect, as the stock remained suspended. The Credit Suisse index rose 0.9 to 577.0.

Banks were again depressed while chemicals continued to benefit from speculation about possible capital restructuring. Ciba-Geigy bearers rose SFR45 to SFR33.50.

Hoffmann baby certificates, which were suspended at SFR15,500 last Friday and which will be phased out as part of the group's restructuring,

ing, were quoted in London as high as SFR15,750.

One analyst said the speculative element of the stock was dampened by the group's assertion that it had no takeover target in sight, but she added that the restructuring was positive in that it would make the shares more marketable.

MILAN crept to a new post-crash high in this trading as many investors took a long weekend break which includes today's Liberation Day holiday. The Comit index rose 1.17 to 620.30 with turnover estimated to be below 120,000.

The market was buoyed by a good Treasury Bill auction at the end of last week - seen as an indication that domestic interest rates are not under the same pressures as in other European countries.

Speculative interest in textile company SIM continued to fuel activity in the shares which rose L230 to L6,380. Retailer Standa, which on

Friday announced losses for 1988, fell L100 to L27,400, while insurer Generali fell L60 to L42,650.

AMSTERDAM had a weaker session, succumbing to profit-taking by domestic institutions and a poor start on Wall Street in spite of a recovery in the dollar against the guilder. The CBE tendency index lost 0.7 to 182.0 in turnover worth FI 858m, well down on Friday's FI 1.2m which was swelled by the expiry of options.

Royal Dutch climbed 80 cents to FI 137.90 against the trend in the day's most active trading, helped by oil prices and the uptick in the dollar. Steel stock Hoogovens was the second most active stock, also gaining 80 cents to FI 101.50, but off its high of FI 102.70; it has presentations in Zurich and Frankfurt this week.

Aegon was hit by a press report, denied by the company, that it would bid for an Italian

insurer. It fell 90 cents to FI 99.90.

MADRID changed little as investors took a breather, although interest was maintained by the start of continuous trading in five stocks representing about 4 per cent of the market's capitalisation.

The five stocks - Tubacex, Motor Iberica, Nueva Montana, Papelesas Esp and Alcos Hornos de Vizcaya - traded on the CATS system, with some initial testing problems. Motor Iberica saw 722,232 shares change hands, rising 7.5 points to 1,282.5.

STOCKHOLM edged higher as investors sat back to wait for today's revised budget, which is expected to include an anti-inflation package. OSLO closed higher helped by firmer North Sea oil prices but the market saw some nervous profit-taking. The all-share index rose 4.35 to 485.02 in active trading worth NKr525m.

New Issue
April 25, 1989

This announcement appears
as a matter of record only.

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(Kabushiki Kaisha Mitsubishi Bank)

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FT-ACTUARIES WORLD INDICES
Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | MONDAY APRIL 24 1989 | | | | | FRIDAY APRIL 21 1989 | | | | | DOLLAR INDEX | | |
|-------------------------------|----------------------|----------------|----------------------|----------------------|---------------------------------|----------------------|-----------------|----------------------|----------------------|-----------|--------------|-------------------|--|
| | US Dollar Index | Day's Change % | Pound Sterling Index | Local Currency Index | Day's % change % local currency | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Local Currency Index | 1988 High | 1988 Low | Year ago (approx) | |
| Australia (89) | 132.32 | +1.6 | 115.06 | 111.06 | +2.1 | 5.01 | 130.28 | 112.63 | 108.79 | 157.12 | 128.28 | 120.16 | |
| Austria (18) | 122.34 | -0.4 | 106.38 | 118.23 | +0.3 | 2.13 | 122.78 | 106.14 | 117.84 | 124.16 | 92.84 | 91.71 | |
| Belgium (53) | 135.91 | +0.1 | 118.05 | 117.35 | +0.3 | 4.08 | 136.31 | 108.89 | 130.88 | 128.52 | 128.52 | 128.52 | |
| Canada (127) | 138.26 | -0.1 | 118.49 | 117.32 | +0.2 | 3.27 | 138.31 | 117.86 | 117.08 | 137.27 | 124.67 | 123.57 | |
| Denmark (38) | 179.03 | -0.4 | 155.97 | 176.29 | +0.0 | 1.88 | 179.61 | 155.45 | 175.21 | 180.38 | 165.35 | 116.50 | |
| France (26) | 154.99 | -0.2 | 109.47 | 135.12 | +0.1 | 1.53 | 155.30 | 134.25 | 134.83 | 159.16 | 125.81 | 128.04 | |
| Germany (130) | 122.33 | -0.4 | 106.38 | 121.00 | +0.2 | 2.99 | 122.79 | 106.15 | 120.82 | 172.19 | 112.57 | 87.45 | |
| Hong Kong (100) | 67.47 | -0.9 | 76.06 | 84.08 | +0.3 | 2.27 | 68.29 | 72.32 | 84.85 | 90.40 | 81.77 | 77.38 | |
| Italy (98) | 131.42 | +0.1 | 128.19 | 131.23 | +0.1 | 1.11 | 130.88 | 128.52 | 131.88 | 157.12 | 128.52 | 128.52 | |
| Japan (458) | 128.19 | -0.8 | 128.19 | 145.06 | +0.0 | 3.47 | 128.50 | 140.00 | 150.00 | 151.25 | 125.00 | 125.00 | |
| South Korea (4) | 83.25 | -0.3 | 72.65 | 85.17 | +0.2 | 2.47 | 83.77 | 72.42 | 85.02 | 88.88 | 78.16 | 76.25 | |
| United Kingdom (98) | 188.07 | -0.3 | 161.80 | 154.78 | +0.7 | 0.48 | 187.69 | 162.28 | 155.90 | 200.11 | 180.30 | 173.81 | |
| Mexico (13) | 176.06 | +0.1 | 154.99 | 178.64 | +0.1 | 0.51 | 176.59 | 154.99 | 176.06 | 176.06 | 176.06 | 176.06 | |
| Netherlands (42) | 121.85 | -0.2 | 105.95 | 118.79 | +0.5 | 1.08 | 122.08 | 105.54 | 118.33 | 122.22 | 110.83 | 106.32 | |
| Norway (26) | 154.99 | +0.1 | 134.70 | 154.99 | +0.1 | 0.58 | 155.30 | 134.70 | 154.99 | 154.99 | 154.99 | 154.99 | |
| Singapore (26) | 136.10 | +0.5 | 107.59 | 175.74 | +0.9 | 1.49 | 136.10 | 107.59 | 175.74 | 154.99 | 136.10 | 136.10 | |
| Singapore (26) | 136.10 | +0.4 | 132.78 | 178.41 | +0.4 | 2.01 | 136.10 | 132.78 | 178.41 | 154.99 | 136.10 | 136.10 | |
| South Africa (60) | 144.71 | +1.0 | 125.84 | 128.33 | +0.6 | 3.95 | 144.71 | 125.84 | 128.33 | 144.71 | 115.35 | 126.10 | |
| Spain (14) | 145.00 | +0.3 | 134.70 | 154.99 | +0.7 | 0.58 | 145.00 | 134.70 | 154.99 | 145.00 | 145.00 | 145.00 | |
| Sweden (35) | 157.59 | +0.4 | 137.04 | 147.58 | +0.8 | 2.32 | 157.03 | 135.75 | 146.52 | 182.00 | 138.45 | 120.16 | |
| Switzerland (57) | 76.02 | -0.8 | 68.10 | 77.41 | -0.1 | 2.37 | 76.65 | 66.25 | 77.56 | 79.76 | 74.05 | 78.83 | |
| United States (916) | 145.00 | +0.5 | 125.84 | 128.33 | +0.2 | 4.46 | 145.00 | 125.84 | 128.33 | 145.00 | 145.00 | 145.00 | |
| World Excl. USA (561) | 125.52 | -0.3 | 109.10 | 125.52 | -0.3 | 3.24 | 125.84 | 109.10 | 125.52 | 125.52 | 125.52 | 125.52 | |
| Europe (1008) | 125.50 | -0.5 | 104.78 | 111.33 | +0.1 | 3.59 | 121.10 | 104.69 | 111.25 | 121.10 | 114.02 | 108.53 | |
| Nordic (125) | 150.55 | +0.0 | 135.09 | 151.18 | +0.5 | 1.99 | 155.29 | 134.25 | 150.47 | 155.61 | 137.95 | 115.15 | |
| Pacific Basin (679) | 181.56 | -0.8 | 157.87 | 151.57 | -0.6 | 0.71 | 182.98 | 158.18 | 158.27 | 194.72 | 176.37 | 168.91 | |
| Europe - Pacific (1687) | 157.17 | -0.7 | 136.67 | 135.72 | -0.4 | 1.61 | 158.26 | 136.81 | 136.67 | 164.22 | 152.83 | 144.87 | |
| Europe - Pacific (1687) | 157.17 | -0.7 | 136.67 | 135.72 | -0.4 | 1.61 | 158.26 | 136.81 | 136.67 | 164.22 | 152.83 | 144.87 | |
| Europe Excl. UK (692) | 154.50 | +0.5 | 90.87 | 101.70 | +0.5 | 2.88 | 105.01 | 90.78 | 101.54 | 100.29 | 90.12 | 88.29 | |
| Pacific Excl. Japan (224) | 127.45 | -0.8 | 110.83 | 113.23 | +1.0 | 4.47 | 126.50 | 109.36 | 112.11 | 137.65 | 123.48 | 109.63 | |
| World Excl. US (2388) | 156.33 | -0.7 | 136.93 | 135.02 | -0.4 | 1.25 | 157.38 | 136.03 | 135.54 | 162.77 | 152.06 | 143.82 | |
| World Excl. US (2388) | 156.33 | -0.7 | 136.93 | 135.02 | -0.4 | 1.25 | 157.38 | 136.03 | 135.54 | 162.77 | 152.06 | 143.82 | |
| World Excl. US (2388) | 156.33 | -0.7 | 136.93 | 135.02 | -0.4 | 1.25 | 157.38 | 136.03 | 135.54 | 162.77 | 152.06 | 143.82 | |
| World Excl. US (2388) | 156.33 | -0.7 | 136.93 | 135.02 | -0.4 | 1.25 | 157.38 | 136.03 | 135.54 | 162.77 | 152.06 | 143.82 | |
| World Excl. Japan (1933) | 144.24 | -0.3 | 106.07 | 119.87 | -0.3 | 2.56 | 124.63 | 107.74 | 120.04 | 124.63 | 114.51 | 108.22 | |
| The World Index (2445) | 124.28 | -0.5 | 125.43 | 131.73 | -0.3 | 3.29 | 145.01 | 125.36 | 132.18 | 146.13 | 138.83 | 129.90 | |

SECTION III

FINANCIAL TIMES
SURVEY

The Swiss face growing external pressures to change entrenched financial habits. Money

laundering and the fall of Mrs Kopp, the Justice Minister, have dominated the headlines. But the country seems on its way to absorb the impact, writes William Dullforce

Old habits that must change

THREE RECENT events in Switzerland have attracted attention abroad — the "Kopp affair", the persistent decline in the value of the franc and Nestlé opening its stock to foreign ownership.

The first two hint that, inside this enclave of high prosperity at the heart of Europe, for long a hallmark for political and economic stability, something may be wrong. Nestlé's action does more than hint: it testifies to the strengthening pressures on the Swiss from outside to change some entrenched habits.

However, it is better not to exaggerate. The Swiss have a way of underplaying spectacular events and the four-party coalition that has run the Confederation for the past 30 years is already well on the way to absorbing the impact of the enforced resignation of Mrs Elisabeth Kopp, the country's first woman cabinet minister, over a drugs money laundering scandal.

As for the weakness of the franc, the question remains open whether it is structural or a temporary phenomenon due to the Swiss National Bank's difficulties in controlling the money supply last year after it changed the regulations governing bank reserve requirements.

Only in the case of the exterior pressures, principally generated by the economic unification of the European Community, is there no doubt. The Swiss are being forced to change the structures of their financial markets more quickly than

they had expected.

Some recent developments suggest that socially not all is well in the Confederation, as it approaches its 700th anniversary in 1991. Police in Zurich and Bern have used tear-gas and batons to break up demonstrations by young people frustrated by the shortage of housing at rents within their reach. The problem of drug addiction is on daily display in Zurich's parks.

Such situations are not peculiar to Switzerland and, indeed, the drugs problem is contained to the extent that citizens can still walk safely at night anywhere in a Swiss city without fear of mugging.

Still, a warning earlier this month from the World Health Organisation that per capita Switzerland has the highest number of AIDS victims in Europe gives food for thought. The juxtaposition at the heart of Zurich of a park for junkies and the Bahnhofstrasse, one of the world's richest banking streets, evokes unease.

Nevertheless, the drama that has stirred public opinion most deeply has been the fall of Mrs Kopp, the Justice Minister, and the suspension of Mr Rudolf Gerber, the Federal public prosecutor, in the wake of a money laundering investigation conducted by a young public prosecutor in the canton of Ticino.

Swiss journalists played a crucial role in bringing the ramifications of this case to light, demonstrating in the process that the cocoon of co-

conformity, in which media, politicians and the business community used to operate, is breaking up.

Disclosures from the investigation into what has been dubbed the Lebanon connection have brought home to the Swiss the fact that their banks and finance companies have been exploited by internationally organised crime. Serious implications have been raised about relationships between officials, some businessmen and shady people involved in the drugs traffic.

The political response to the Kopp affair and the money laundering scandal has been vigorous. Two parliamentary committees are pursuing the investigation and submission of a bill against money laundering is being speeded up. Well aware of the need to reassure the public, the four ruling parties — and in particular the conservative Radical Party, to which Mrs Kopp belonged — chose as her replacement in the seven-member Federal Council (cabinet) Mr Kaspar Villiger, the model of a modest, clean-living Swiss businessman.

The spectacular fall of Mrs Kopp has had other potentially significant sequels. Mr Arnold Koller, her successor at the Justice Ministry, is increasing the staff of the anti-drugs office in Bern and has been talking of setting up a federal anti-drugs brigade — a step which would affect the powers of the cantonal governments.

Before she was caught up in the

scandal, Mrs Kopp had won a reputation as a hardworking minister. However, her efforts to tighten regulations and to distinguish the true "political" refugees from the less welcome "economic" fugitives among the flood pouring into Switzerland in the past two years — mostly from Turkey and countries further east — had been controversial.

Mr Koller is taking a fresh look at immigration policy, admittedly on the basis of a report commissioned by Mrs Kopp. The issue is politically delicate, as small surges of xenophobia among voters, mostly in local elections, have shown.

While the political establishment has already demonstrated its capacity to contain the effects of the Kopp affair, the same has not so far been true of the banking system. The bankers are irritated and embarrassed. None of this has done the image of the Swiss financial centre any good, even if the Federal Banking Commission has cleared the big Swiss banks of having done anything illegal.

Foreign banknotes valued at between Sfr 80bn and Sfr 100bn (£28-36bn, \$48-61bn) are exchanged annually in Switzerland, many of them carried quite legitimately across the frontier by couriers. It is this business which was exploited by the money launderers.

Now with the Commission proposing to impose regulations and both the Swiss National Bank and

the Commission urging that even negligence by bank employees should be made punishable in the new law against money laundering, the bankers are warning against over-reaction.

They are not opposing new penal sanctions but Mr Robert Studer, president of Union Bank of Switzerland, has protested that the banks cannot implement provisions "forcing us to regard every one of our customers as a potential criminal and to look into the origins of all larger sums moved via bank accounts."

But the banks and the economy in general also have current worries which cannot be dealt with at a purely domestic level. The weakening of the franc may be an immediate boon for Swiss exporters but, if the trend is prolonged, it would seriously inhibit the Swiss market's ability to attract foreign capital.

Private bankers draw a distinction between the Swiss capital markets and the management of foreign investors' assets by Swiss banks who like any other portfolio advisers can adjust the currency weightings of their clients' placements. But a strong franc has been a symbol.

Habitually, the Swiss franc has been firm when the dollar has been on the decline and international capital has sought a stable home. But with the consolidation of the European Monetary System, the hard currency status of the yen and

the rise of alternative havens, a straightforward dollar-franc axis no longer exists. The link with the D-Mark attracts most attention.

The immediate fate of the franc appears to depend on perceptions of the inflationary potential in the Swiss economy. Prices, both at the wholesale and consumer levels, have been rising faster than in West Germany.

Although overheating is apparent in the economy after six years of sustained growth, an extra influence on the inflation rate has been the increase in the money supply provided by the Swiss National Bank after the October 1987 stock market crash.

The SNB, which professes to ignore short-term currency fluctuations in the pursuit of its main goal of price stability, has fixed a 2 per cent target for the growth in the monetary base this year. It reiterated its determination to achieve stability on April 13, when it raised its discount and Lombard rates for the third time since the beginning of December.

Local forecasters give the SNB the benefit of the doubt. They see inflation rising this year, but tapering off again in 1990, while the economy will slow down next year and resume steady growth in 1991.

Greater concern is generated by the increasingly insistent prodding from outside for changes in Swiss institutions and practices. A compromise is still being sought over

the European Community's demand for a north-south transit route for 40-tonne lorries.

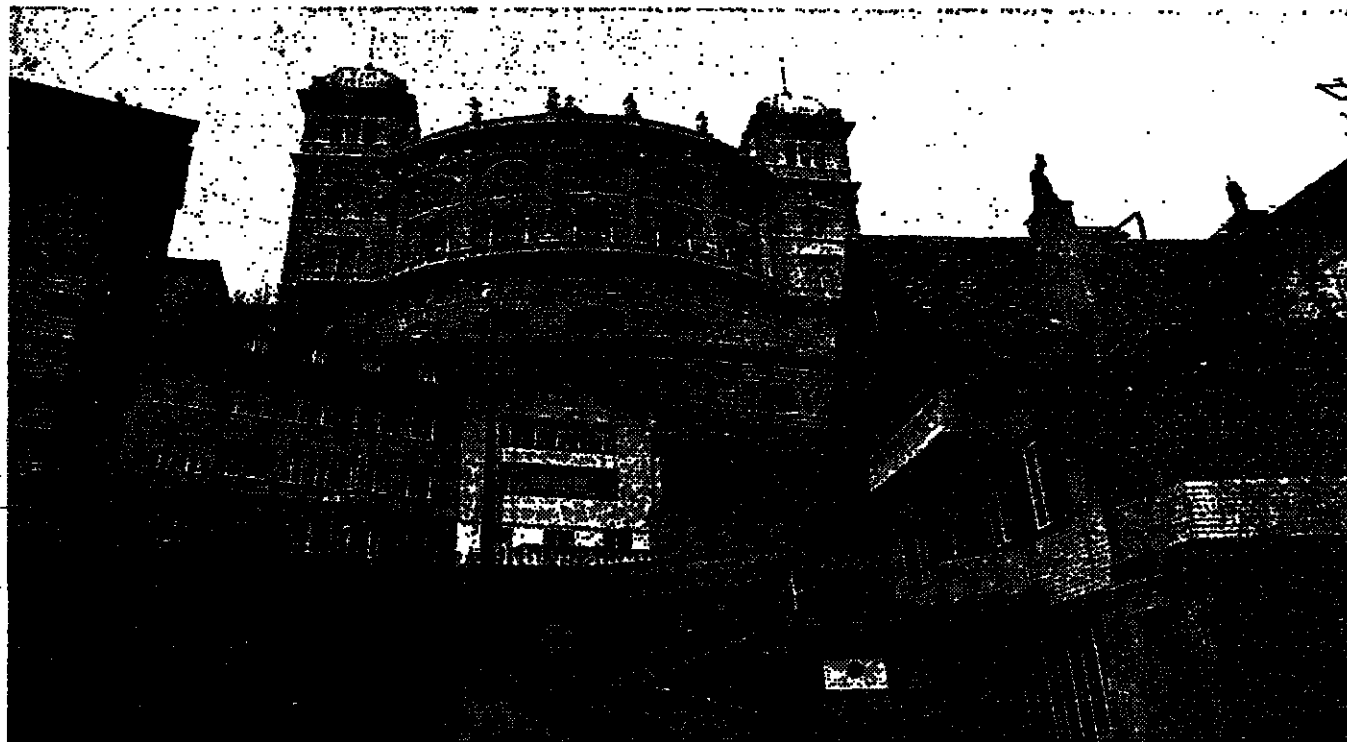
The Swiss have to adjust to Brussels' efforts to harmonise EC banking and insurance. Swiss companies' participation in the merger and acquisition activity in Europe has put the spotlight on the restrictive share practices with which the Swiss protect their own enterprises against takeover.

Only one company — Rietel, a textile machinery manufacturer — has so far followed Nestlé in making its registered shares available to foreigners. But a start has been made to the dismantling of some cartel arrangements in banking and insurance and the first Federal government bond issue has been lead-managed by a foreign bank.

As foreign investors stayed away from the Swiss equities market in 1988, plans to co-ordinate and modernise the stock exchanges took a more radical bent.

Mr Jean-Pascal Delamuraz, the energetic Federal Councillor who is currently President of the Confederation, told parliament in a recent debate on the EC single market: "We must be active and dynamic — it is the only chance Switzerland has of retaining its autonomy and not just being towed along in the wake of European development."

The Swiss will have to deploy all their pragmatism and negotiating skills to bring off that gamble.



SWITZERLAND

CONTENTS

| | | | |
|---|---|---|---|
| Politics: coping with Koppgate | 1 | Machinery: a 1992 frame of mind | 4 |
| Economy: cure for overheating | 2 | Chemicals: leading the field | 4 |
| EC relations: 'Albanians' eye the Community | 2 | Watches: making it in the mass market | 5 |
| MAP | 2 | Profits: Sulzer and Tornos | 5 |
| Financial markets: world leader must not be left behind | 3 | Tourism: it's so dumb not to be chums | 5 |
| Industry: restructuring seems to pay off | 3 | Agricultural subsidies: peasants may feel the pinch | 5 |

□ (left) The Parliament Building, Bern (photo: Tony Andrews)

KEY FACTS

| | |
|-------------------------------|--|
| Area | 41,228 sq km |
| Population | 6.56 million |
| Exchange rate (April 17 1989) | £1 = Sfr 2.51; \$1 = Sfr 1.637 |
| Inflation | 1.86 per cent |
| GDP (market prices) | Sfr 266.3 bn (1987) |
| GDP growth rate | 2.3 per cent (1987) |
| GDP per capita | \$17,680 |
| Exports of merchandise | Sfr 73.96bn |
| Imports of merchandise | Sfr 82.81bn |
| Current account balance | Sfr 8.14bn |
| Foreign exchange reserves | \$24bn |
| Gold reserves | \$7.9bn |
| Export destinations (1987) | European Community 55.7%, US 9.1%, EFTA 7.4% |
| Main importers (1987 %) | EC 72.1; EFTA 7.8; US 5.3; Japan 4.5 |
| Main exports (1987) | machinery 32.1%, chemicals 21.0%, precision instruments, watches and jewellery 17% |
| Unemployment rate | 0.72 per cent |
| Jobless figure | 22,249 |

All figures from 1988 unless otherwise stated.

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SWITZERLAND 2

William Dullforce on the defusing of a political scandal

How to cope with Koppgate

SWISS POLITICAL life tends to be worthy, humdrum and staid, as befits an affluent, orderly society in which most citizens are content with their lot and have faith in their political system. Yet, extraordinarily, for a few weeks at the beginning of this year it was rocked by a scandal of the kind that more commonly erupts inside the Washington beltway.

A cabinet minister was forced to resign; the Federal prosecutor, head of the country's secret services, was suspended; investigative journalists uncovered secret tip-offs; lines were traced between banks and international organised crime; and state officials were accused of going easy on drug trafficking.

The term Koppgate was coined by the Press, putting the fall of Mrs Elisabeth Kopp, Switzerland's Justice Minister, into the same category as the US scandal that brought down President Richard Nixon.

Mrs Kopp, the country's first woman minister, became the first to have her parliamentary immunity lifted and the first to have her acts subjected to an investigation that could lead to charges under the penal code.

And yet, in the end, the most significant aspect of the whole affair may turn out to be the way in which the Swiss political establishment – the four-party centre-right coalition that has been in power since 1959 – coped with it.

A reluctant Mrs Kopp, protesting her innocence, was firmly told to go. A retired Federal judge and a special prosecutor were appointed to carry out quick investigations. Two parliamentary committees have taken up the running and are probing deeper for errors and faults within the administration. Given the alertness of the Swiss media, the politicians have promised that there will be no cover-up.

A special prosecutor has been put in charge of an investigation into the acts of Mrs Kopp and two of her assistants; his job is to decide whether there is a case for laying charges against them. It is by no means certain that there is. A judge is heading a disciplinary inquiry into the conduct of Mr Rudolf Gerber, the Federal prosecutor.

Mr Kaspar Villiger was elected to replace Mrs Kopp as one of the Radical Party's two representatives in the Federal

Council (government). Two Christian Democrats, two Socialists and one member of the Swiss People's Party make up the seven-member Council.

In normal circumstances Mr Villiger might not have been the Radical Party's first choice but he fitted the role of "Mr Clean" – a captain in the militia army, a good family man and part-owner of a medium-sized company.

All in all, the reaction of the politicians in Bern, the capital, has been a remarkable demonstration of the sensitivity to popular feeling of a seemingly entrenched and immutable ruling coalition.

Nobody could have foreseen the reverberations when, acting on information from an

American "mole" inside a drugs-running syndicate, police in the Italian-speaking canton of Ticino seized a lorry carrying 100 kilos of heroin in February 1987.

Even when the prosecutor in the case charged that two brothers connected with the drugs smuggling had laundered some \$1bn in dirty money through Switzerland over the last few years, it was the banking system that seemed to be in the line of fire.

The political explosion occurred only when a newspaper revealed that, some days before the prosecutor's disclosures, Mrs Kopp had made a telephone call to warn her husband that a trading company, of which he was vice-president, had been named in the money-laundering inquiry. Mr Kopp immediately resigned.

Soon these bare facts were amplified by charges about lethargy in the Bern administration responsible for combating the drugs traffic and stories about links between crime and politics and business circles, particularly in Zurich, Mrs Kopp's home base.

These disclosures particularly embarrassed the conservative Radical Party, which plays a pivotal role in the coalition because of its links with Swiss big business and finance.

Although the Socialists were the most vocal in calling for Mrs Kopp's resignation, there

was no question of the coalition – which took 159 of the 200 seats in the lower chamber of the Federal parliament in the 1987 election and has even greater domination of the upper chamber – splitting up.

Indeed, Swiss governments, once appointed, cannot be displaced for the four years between elections.

The stability is prevented from degenerating into inflexible resistance to change by the oft-quoted paradox at the heart of Swiss direct democracy. The frequent referenda – and the counterbalancing powers of the cantonal governments – mean that the real opposition to the government is the electorate.

In the Kopp affair the only political sanction so far has been that imposed on the canton of Zurich, which has lost its representation on the Federal Council. Mr Villiger, Mrs Kopp's replacement, comes from Luzern.

Nevertheless, in the Radical Party's selection of Mr Villiger and in the relative speed with which it eased out Mrs Kopp and started the judicial and parliamentary inquiries, the ruling coalition has shown its sensitivity to electoral opinion.

These days, indeed, the coalition has more than enough scope, in fields of even greater long-term import than the Kopp affair, for demonstrating the Swiss capacity to absorb and respond to shocks. Both government and parliament are spending an increasing amount of their time on complicated issues raised by the European Community's progress towards a single market.

Negotiations over Brussels' demand for a transit route for 40-tonne lorries firmly rejected by the cantons concerned – and over Bern's alternative offer of a new rail route are one of the more visible issues.

But parliament also has to decide on important changes to tax and commercial legislation, to keep Switzerland from being isolated. Nor is the EC alone in causing Swiss headaches. In the next two years, as international trade liberalising negotiations in the Geneva-based General Agreement on Tariffs and Trade move towards climax, the government and electorate may face tough decisions on farming.

Peering further into the future, one can speculate that

current international developments will force legislators to consider changes to other institutions fundamental to the Swiss way of life.

A referendum posing the question of whether Switzerland really needs the militia army, in which all able-bodied men serve, is being held this autumn. It has no chance of obtaining a negative answer.

Yet Mr Villiger who took over responsibility for the army on joining the Federal Council, has just paid the first official visit by a Swiss Defence Minister to the Soviet Union.

One of the criticisms levelled against Mr Gerber, the Federal prosecutor, during the ruckus over the Kopp affair was that he had concentrated the work of his office so heavily on anti-Communist counter-espionage work that it had no time to deal with the drugs traffic.

Swiss military strategy focuses on countering an attack from the East. A somewhat ponderous review of that strategy has been going on since 1984. Any assessment of the validity of the changes in Soviet defence policy announced by Mr Mikhail Gorbachev must gain momentum from Mr Villiger's visit.

It is possible that historians may one day single out the visit of Mr Villiger – brought into office by the Kopp affair – as marking a turning point in Swiss defence policy.

Last year, when the outcome

Growth estimates for 1989 fall within a range of 2.1 to 2.6 per cent, while the spread for the 1990 slowdown varies from 2.1 per cent to only 0.6 per cent in the most recent prediction, from the Centre for Applied Economic Research at the University of Lausanne.

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INFLATIONARY PRESSURES are the uncertain element in the Swiss economy this year. Regular watchers will follow closely the price indices, the money supply and the Swiss National Bank's interest rates.

Like most other industrialised countries Switzerland last year shrugged off the apprehensions aroused by the October 1987 stock market crash. It recorded a sixth successive year of economic growth with a better result than anyone dared to forecast at the start of the year.

Provisional estimates put the increase in GDP at 3 per cent compared with 2.3 per cent for 1987.

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THE ECONOMY

Bank's cure for overheating

Nerves were fraying, as shown by an outcry in the Union Bank of Switzerland's foreign exchange quarterly newsletter, accusing Swiss monetary authorities of man-

oeuvring the franc into "the absolute role of the industrialised world's weakest currency."

The consumer price index was at an annual growth rate of 2.3 per cent in March and the most recent forecast from the University of Lausanne team forecast an increase of 3.5 per cent in 1989 – not dramatic but almost certainly higher than the West German

rate. On the other hand, the Lausanne team expected the situation to be reversed in 1990 and 1991 with Swiss prices growing more slowly than the German.

Overheating in the economy is now fairly evident. Unemployment, stuck at a rate of 6.7 per cent, has virtually been squeezed out of the economy.

Some 160,000 jobs, an increase of 5 per cent, have been created since 1984 and the employment index advanced a further 1.3 per cent last year.

With manufacturing output showing an 8 per cent increase in the last quarter of 1988, capacity utilisation was well over 88 per cent (near 92 per cent in exporting companies). Wages rose on average by 3 per cent in 1988 and the consumer price index by 1.9 per cent) and on the basis of wage agreements struck at the end of the year an average 4 per cent rise seems likely for 1989.

Import demand remains strong. After notching a record in 1988, car sales numbered 25,281 in January this year, or 19 per cent more than in the same month last year.

The growth in consumer spending averaged 2.3 per cent in 1988 and in January the index used by the Federal Economic Affairs Commission to measure consumer expectations was at its highest level since its inception in 1972.

Other short-term influences on consumer price inflation include the increases since last year in the prices of imported fuels, rises in transport tariffs and interest rates.

However, forecasters retain their confidence in the SNB's ability to check this year's inflationary pressures. The current health of the economy is due both to constitutional factors – the anti-inflationary monetary stance, the addition to balanced budgets and the propensity to save – and to the muscle-building modernisation course, to which a large part of industry has subjected

itself, in the last few years, to remain competitive.

Fixed investment grew by 3.8 per cent last year after increases of 8.5 per cent in 1986 and 7.6 per cent in 1987.

Spending on equipment, a sign of the thrust to modernise, climbed by 7.5 per cent last year, following increases of 15.4 per cent and 11.3 per cent in the two preceding years.

There is some difference of opinion about the continuation of the investment drive. A marked deceleration in investment is central to the University of Lausanne team's 0.6 per cent forecast for GDP growth in 1989, whereas surveys by some industrial associations indicate that considerable investments are still in the pipeline.

A UBS survey of 1,700 firms, conducted at the end of 1988, concluded that most business sectors intended to maintain or step up investments in 1989.

Only engineering and construction reported investment targets below their exceptional 1988 levels.

UBS found that the services sector would step up investment more than industry this year and noted that investment growth was heavily focused on improving information and communication technologies.

Swiss companies recorded good earnings growth last year. The UBS survey reported that companies were more cautious in predicting earnings than in forecasting sales in 1988.

Uncertainty over currency developments is one reason for caution in forecasting export earnings. At the moment exporters are favoured by the relative weakness of the franc and the strength of the dollar.

The export industry performance has varied over the past four years, usually under the influence of the dollar exchange rate. UBS predicts a further expansion in export volume in 1989 but with some decline in the rate of growth.

It expects a real increase of 3.5 per cent in exports to be more than offset by a 4.5 per cent real growth in imports, leading to a further deterioration in the balance of trade in goods which recorded a deficit of Sfr 8.3bn (\$3bn) last year.

However, Switzerland can happily absorb heavy deficits on its merchandise trade thanks to the surplus on services and the annual return on the foreign investments. Last year these combined to convert a Sfr 8.3bn shortfall on trade in goods into a Sfr 9.1bn surplus on the current account in the payments balance.

So if the SNB succeeds in doctoring the current bout of inflationary fever, the economy is in a pretty healthy state.

William Dullforce

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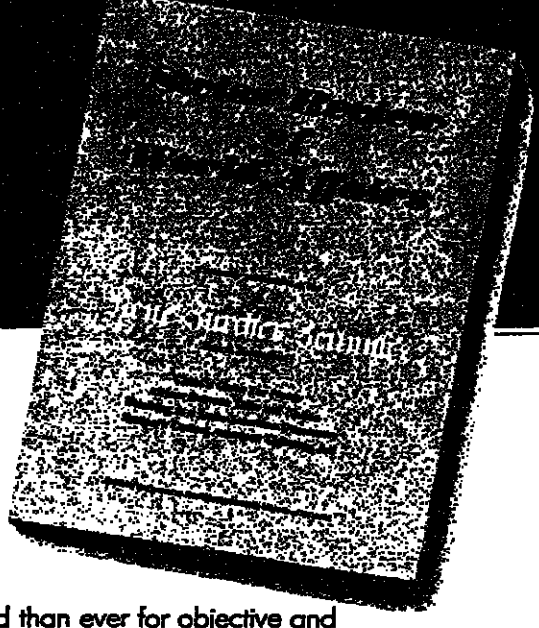
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SWITZERLAND 3

Pressure for change in the country's financial markets

A world leader must not be left behind



Otto Stich, Finance Minister - wants to drop one stamp duty for another

SWITZERLAND'S financial markets last year were very much under the influence of the "Black Monday" crash of 1987. Securities turnover in Zurich, Geneva and Basel showed the first overall decline in 10 years, falling by almost 12 per cent to just over Sfr 850bn. The "Swissindex" share index did improve by 22.5 per cent during the course of 1988 - but the end-of-year level of 942 points was still far below the pre-crash high of over 1,200.

By contrast, Switzerland has been able to consolidate its key function as a source of international capital. In 1988, the sum of capital exports approved by the country's National Bank went up 7.5 per cent to a new peak of nearly Sfr 61bn, the result of a marked rise in foreign borrowers' convertible and straight bond issues.

In net terms, however, the volume of capital market issues stagnated at some Sfr 36.5bn. This reflected a further increase in redemptions, by as much as 26 per cent to an unprecedented Sfr 19.9bn, and a drop by more than one half to only Sfr 2.35bn in the value of domestic share issues. These "more than offset" the rise in foreign borrowers' issues of bonds and notes by Sfr 4bn to an all-time high of Sfr 40bn and an expansion of over Sfr 2.1bn to some Sfr 13.8bn in the vol-

though, and new Swiss share issues remain few and far between.

As far as the investing public is concerned, the Swiss themselves have been slow to take advantage of the relatively low share prices of the past 18 months. Institutional investors, particularly the timid pension funds, were thoroughly scared by what happened in October 1987.

Foreigners have been put off not only by the sluggish recovery of Swiss stock markets but also by uncertainty as to the future of registered shares. Last November Nestlé had opened its stock ledger to foreigners, with a resultant slump in prices for bearer equities and the suspicion that other companies would soon follow suit - something which has not yet taken place.

In addition to this, Switzerland is experiencing a rise in its traditionally low inflation rate and overall interest levels.

This has been having a correspondingly negative effect on the bond market with its relatively low coupons. It seems quite likely that Swiss enthusiasm for foreign Swiss franc bonds will be tempered by difficulties such as those now facing holders of the 1986 Nabisco issue.

With regard to the exchange rate situation, the Swiss franc is noticeably down on the lev-

els of the past few years. This naturally makes corresponding financing more interesting for borrowers - but simultaneously removes the long-standing attraction for investors inherent in a possible currency gain.

There are reasons to expect a further improvement in the equities market. Bank, insurance and chemical company stocks in particular have been doing well for themselves in the past weeks, and annual reports are looking good almost across the board.

All forecasters reckon on further, albeit rather slower, growth for the national economy as a whole both this year and next.

With the current rising trend in rates, fixed interest securities may be rather less inviting. There is, however, a vast pool of liquidity on the part of domestic investors who put security before real earnings. The flow of Swiss franc bonds and notes into foreign portfolios could also start growing again, also in the interest of low-risk asset management in an uncertain world.

Whatever the case, the Swiss financial market has a number of problems confronting it. One of these is that of stock exchange reorganisation. There are no fewer than seven separate bourses in Switzerland, which gives rise to any

number of discrepancies.

Dr Nicolas J. Borer, president of the Zurich exchange, recently called for the creation of a homogenous securities trading system in Switzerland rather than what he called "exaggerated federalism."

A particular point at issue is the difference in trading hours. Switzerland's stockbroking banks have in any case been going through a period of rapid change. Last year saw the launching of the Swiss options and financial futures exchange (Soffex) in the field of shares and share indices, the extension of trading hours, increases in the list of continuously-traded stock and the introduction of new emergency measures in the case of excessive share-price fluctuations. However, it still proved impossible to introduce the "cats" (or computer-assisted trading systems).

More changes are on hand. Of particular significance is the "Electronic Bourse Switzerland" system, though here, too, there has been a delay. Now the system will not start regular operations - first for bond trading and subsequently for shares - until 1991.

Nevertheless, slowly but surely, the stock exchanges are having to grow together and are heading gradually towards an all-computerised future where there will be little room

for the traditional "outcry" trading. It remains to be seen when the regional bourses can sink their remaining differences.

Apart from the technological revolution and the need for increased overall trading capacity, the structure of the markets is itself undergoing a considerable alteration. Changes range from an opening-up of issue syndicates - at the expense of the big banks - through the spread of grey-market (pre-issue) trading to the listing of low-rated foreign bonds.

All of these pose problems for the banks, which are in any case taken up with such vexed questions as the elimination of money laundering, insider dealing and abuses of the institution of banking secrecy. Their reaction to extraneous developments on financial markets also extends to their own reporting techniques: this month, the Federal Banking Commission drew attention to the fact that banks as a whole had overstated their profits for 1987, possibly in the wake of the October crash, and indicated that it might update guidelines governing the mobilisation of hidden reserves.

At the same time, stockbrokers continue to demand that the Government scrap the stamp duty on financial market transactions. The Swiss

Bankers' Association has always contended that this is a major and growing disadvantage in international business and feels it will be even more of a hindrance should the European Commission decide on the general abolition of stamp duty within the EC next year.

For his part, Dr Otto Stich, the Finance Minister, agrees the levy should be dropped on some transactions. But he still

There will be little room for traditional 'outcry' trading

makes its total abolition dependent on the creation of compensatory fiscal income. One possibility would be the introduction of a stamp duty on fiduciary deposits, a step the association says would destroy what is today a "thriving business."

Another tax issue which the Swiss are considering is the possible result of the EC Commission's proposal to institute a Community-wide at-source tax on interest income. Although this would ostensibly go some way towards offsetting Switzerland's own 35 per cent withholding tax, it is not initially seen as a substantial advantage - apart from the

fact that it might not happen, any way.

As far as actual Swiss securities are concerned, a key development will be the pending revision of the country's Equities Act. This could lead to considerable changes in the character of listed stock, as for example in the relative "weight" of shares on the basis of their nominal value.

Even more important - and something which is largely independent of the draft legislation - is the question of registered shares. Both within Switzerland and abroad there is a growing feeling that internationally-active Swiss companies should be more prepared to share their substance with the outside world. This would mean either a decision to follow Nestlé's example or a move to upgrade the position of voting bearer stock as compared with registered shares or participation certificates.

As the consulting firm Arthur Andersen says in a report published last month, "after the flourishing upswing of the past decades, the Swiss financial centre is faced with its greatest challenge."

The country's markets, banks and listed companies have realised this and are well aware that all will be lost if they rest on their laurels. A great deal has still to be done if Switzerland is not to lag behind in a sector where it has traditionally been a world leader.

John Wicks

INDUSTRY

Restructuring seems to be paying off

THE COUNTRY'S important manufacturing sector did much better than expected last year, with both output and turnover up by some 7 per cent. In 1987 growth had been of only a modest 1 per cent and it had initially been feared that the economy would be affected by the combination of a post-Black Monday recession and a falling dollar.

Neither of these fears proved to be justified. The stock market crisis had virtually no effect on international demand, while it was the Swiss franc which fell 10 per cent against the dollar during the course of 1988 and has since dropped further.

At the same time, Swiss domestic demand for both capital and consumer goods has remained expansive.

The good news is mirrored in the vast majority of annual reports from companies and trade associations. But it is reflected to considerably less an extent on the stock market. Admittedly, the industrial share index has risen a good 10 per cent since the start of this year - but is still almost 9 per cent below its 1987 peak.

This shortfall is attributable primarily to a combination of continued thinning on the part of Swiss investors and the loss of foreign enthusiasm due to uncertainty as to whether other companies will follow Nestlé's November example and make registered shares available to non-residents.

The success of the industrial sector is the result not only of a buoyant world market and foreign exchange conditions but also of the frequently radical restructuring process within Swiss manufacturing over the past years.

Such traditional industries as textiles, watchmaking and engineering found they had to carry out very substantial reorganisation of management, production lines and the deployment of human resources. Activities urgently needed rationalisation in the light of technological change, as well as to compensate for the national disadvantages of an extremely hard currency and extremely scarce manpower.

With a few exceptions, these restructuring programmes have worked out well, with industrial output rising more or less steadily as the labour force has shrunk or at best shown slight increases in individual years. As a country with very high production costs and as good as no raw

materials, Switzerland continues to rely on high levels of innovation and quality control.

Latest government figures show that Swiss expenditure on research and development is, at 2.9 per cent of gross domestic products, one of the world's highest - with more than three-quarters of this coming from the private sector.

Industrial companies alone spent Sfr 5.5bn on R&D in Switzerland in 1988, plus Sfr 3.1bn abroad.

Generally speaking, prospects look good for Swiss industry this year. The Swiss franc remains noticeably below the exchange rates of the past few years, with its relative strength against the Deutsche mark being particularly favourable. The neighbouring Federal Republic is Switzerland's biggest single export market and international competitor.

At the same time, demand on home and foreign markets looks like holding up well. Both 1988 and, almost certainly, 1989 should see a continuation of the Swiss boom.

Foreign orders were up, but growth rates were down

For all that, there are definite signs of deceleration. Figures for the final quarter of last year show that foreign and domestic orders were again up on the corresponding 1987 period but that growth rates were down. All forecasters are expecting GDP growth as a whole to slacken off this year and next.

This is far from serious, especially as large sectors of Swiss industry are running at full capacity and thus often barely able to handle new business. With the jobless rate at 0.7 per cent and tending lower, there is certainly no unemployment scare.

However, the extreme shortage of labour - particularly skilled labour - is posing problems for manufacturers, just as the flaccidity of the national currency raises their costs for imported materials at the same time as it improves their chances on export markets.

Some concern is also being expressed at the gradual rise in the country's traditionally very low inflation rate. Although the Swiss National Bank considers 3 per cent inflation unacceptable, all the indications are that the rate is heading towards this level and will probably pass it within about a year. This will, of course, take away some of the advantages gained by export industry from the more helpful exchange rate.

But whatever the case, Swiss industry is in much better shape to handle any difficulties than before the health cure of the past years. Nor do most manufacturers see the forthcoming single European market of 1992 as representing a serious threat for non-member Switzerland. Apart from the fact that most of the sizeable companies have long been established within the Community, there is no lack of readiness to adapt wherever possible to EC standards or other requirements.

The country also has a long-standing free-trade agreement with Brussels and is optimistic that links will become closer between the EC and EFTA.

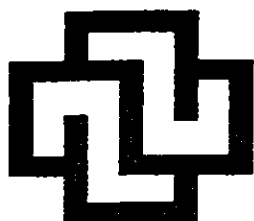
Indeed, not a few manufacturers

Continued on Page 4

The factors that make Switzerland a leading financial market



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SWITZERLAND 5

Paul Abrahams on an engineering group's recovery

Sulzer puts the customer first

SWITZERLAND is not the most obvious base for industrial manufacturing. The country has few natural resources, labour is both in short supply and expensive, and the Swiss franc has become sufficiently strong over the last 20 years as to make exporting far from easy. And the Government, unlike its counterparts elsewhere, does little in the way of subsidies to help the sector.

Between 1975 and 1982, the performance of Sulzer, the Winterthur-based engineering concern, appeared to bear out the generally poor prognosis for Swiss manufacturing. Profits fell persistently as the company's core activities in diesel engines and the oil and gas sectors declined. In 1983 and 1984 the group's losses totalled Sfr 12m.

The problem was that the group perceived itself as a machine maker and manufacturer of industrial goods. It was an engineering-led concern rather than a company supplying customer needs, explains Mr Fritz Fahrni, who became president and chief executive officer of Sulzer in May 1988.

"We needed to change from being a manufacturing concern to a technology group, providing the know-how that the customer wants."

Mr Fahrni says that the best way for the company to maintain margins is to provide added value through technology, which has become the backbone of its business, and through providing partnership for the customer from the design and installation of a project through to service and

managerial support.

He says that the importance of technology can be seen in the group's recent investment in research and development. In 1987, it invested Sfr 202m in the area - an increase of 15 per cent. Most of this is decentralised and concentrated on providing applications and support as part of the company's emphasis on providing customer-oriented services.

This redirection in management style appears to be working. Analysis reports suggest that the 1988 group profits, due to be announced next month, should reach around Sfr 7m.

The change in strategy has been accompanied by a series of acquisitions and disposals in the past two years, which have shifted the emphasis of the group from mature markets to areas with higher growth.

He says that the company will soon bring some significant products to the market - in particular, a pacemaker which treats fast, rather than slow, heart rates.

Sulzer denies its divestments suggest that it is moving production out of Switzerland. The company says that it has always been internationally based. It does admit, however, that there remain problems in manufacturing in the country.

One of the most pressing of these is a shortage of specialist workers, although this has the advantage of forcing the company to concentrate on core activities. The strength of the Swiss franc also creates difficulties - some 98 per cent of Sulzer's weaving machinery is exported.

There is also the lure of manufacturing within the EC, especially given the creation of the single market in 1992. Sulzer says that it is clear that some divisions and products will have to be based elsewhere in Europe for the dual reasons

of avoiding any risk of protectionism and because, as Mr Fahrni admits, "Switzerland is a small country and you can't do everything here."

Nevertheless, he points out that there are also advantages in being based in Switzerland - not least in terms of the availability of plentiful capital and political stability.

Because of these various factors, Mr Fahrni foresees a trend towards concentrating on more sophisticated engineering in Switzerland and locating other production elsewhere. Some 40 per cent of the company's current production is already manufactured outside its home country.

Unusually, Sulzer has not enjoyed one of the more obvious advantages of being based in Switzerland - protection from hostile takeovers. For the past 18 months Mr Tibo Tetamanti has held a hostile stake in the company. But this month his 35 per cent share of the voting capital was purchased by Mr Werner Rey, the Swiss financier.

Mr Fahrni is scathing about Mr Tetamanti. He argues that the Anglo-Saxon method of keeping management on its toes through the threat of takeovers is not efficient.

"We have spent far too much time fending off attacks over the last 18 months rather than improving profitability," he complains. "We foresee the time when we would welcome more international shareholders. But fair rules are needed to maintain independence without protecting inept management."

Washington to reduce expenditure on the health insurance scheme, Medicare.

However, on closer inspection it appears as though Sulzer may not have been so generous. Mr Fahrni points out that Sulzer has been in medical engineering for a decade, but its business has been concentrated in Europe. Intermedics distribution channels should prove significant in helping Sulzer penetrate the US market - the largest in the world for medical engineering.

The prospects for Intermedics are good, says Mr Fahrni. He says that the company will soon bring some significant products to the market - in particular, a pacemaker which treats fast, rather than slow, heart rates.

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WATCHES

Making it in the mass market

THE SWISS watchmaking industry is far from ordinary. Certainly, its products are extraordinary - witness the \$8m paid this month at auction for a single consumer product, the Patek Philippe Calibre 89.

The sector is also unusual because it is one of the few industries to have been challenged by competition from South-East Asia, survive and subsequently prosper. Swiss watchmakers believe that their experience contains significant lessons for other European manufacturers faced with Japanese competition.

The decline of the Swiss watchmaking industry began in the 1970s and accelerated during the early 1980s. Production of watches and movements collapsed from more than 90m in 1974 to just 45m items in 1983. Most of the fall was made up of low-value, high-volume products known as Rokupf watches. These were less accurate and more expensive than the new electronic quartz-powered watches.

The effect of this collapse in sales was marked. The number of manufacturers in the sector dropped from around 2,000 in 1965 to about 600 in the 1980s. Employment fell from nearly 90,000 in 1970 to under 40,000 in 1985. The industry seemed to be in terminal decline.

Yet, today, the outlook is bright. Although employment has not increased, sales are at record levels. Last year exports exceeded Sfr 5bn for the first time - an increase of 16.4 per cent. The number of watches and movements sold also increased by 3.8 per cent.

The best-known company contributing to this turnaround is SMH, the group run by Mr Nicolas Hayek which manufactures under the

marques of Omega, Longines, Radio and Swatch. In 1988 SMH's sales amounted to nearly Sfr 2bn.

Mr Hayek was the originator of the Swatch, a plastic fashion-oriented watch at the low end of the market, which he used to take on manufacturers in South-East Asia. In five years, more than 50m Swatches have been sold.

"Europeans have had a tendency to leave the low mass market sector to the Far East because they believe they can't compete with it," he says. "But that's crazy because you can't keep an industry alive through high-end products alone."

He says that by abandoning mass market strategies, European companies not only lost distribution channels, but also the chance to incorporate new technology in both their products and production methods.

He argues that Swatch was not a marketing success but a technical success. The watch's design was simplified so that the number of movements contained was reduced from about 200 to 51. This reduced the product's cost and improved its reliability because there were fewer parts to wear out.

Moreover, by learning how to manufacture cheaply the company has been able to create new markets. For example, SMH has recently launched a watch called a Flit-Flak for young children to learn to tell the time. It costs less than £15 in the UK - a price which would have been inconceivable without the expertise built up manufacturing Swatches.

SMH's investment in new technology will repay the company in the future, says Mr Hayek. Recently, the company launched a combined watch and paging device and is mov-



Where is the next generation of skilled watchmakers?

ing into telecommunications.

Less known than the success of SMH at the low end of the market has been the resurgence of the high-end mechanical watch. During the last three years, Patek Philippe the luxury watchmaker, has experienced 20 per cent growth. This month, it sold 301 watches at auction in Geneva for a record \$15.2m.

Clearly, conspicuous consumption is not out of fashion. According to Mr André Margot, president of the Fédération de l'Industrie Horlogère Suisse, the world market for watches over Sfr 400 is worth about Sfr 2bn a year, of which Swit-

zerland has about 85 per cent. It appears as though the Swiss watchmaking industry has managed to weather the storm of the stock market crash and dollar fluctuations quite well. Though the federation's figures show that exports of all kinds of watches to the US last year fell for the second successive year, elsewhere sales remain strong.

Mr Margot believes the statistics hide a considerable amount of parallel importing, particularly from Hong Kong, the world's largest importer of Swiss watches, which tends to act as a turntable for watches to be re-exported.

As for counterfeiting, Mr Margot estimates that 10m Swiss watches are copied every year. "Many purchasers are aware they are buying fakes because of their relatively low price and yet continue to buy them depriving the true manufacturers of the benefits of their design. At the same time, consumers are depriving the medium-priced market of sales," he says.

Indeed, of all Swiss watchmakers it is those manufacturing in the medium-priced range, between Sfr 70 and Sfr 600, which appear to be under greatest pressure.

Some manufacturers, such as Brielting, based in Grenchen, have reacted to competition from the Japanese by moving their products into higher price brackets.

Mr François Thiebaud, a director at Brielting, explains that his company stresses both the quality of its products and the originality of its designs when marketing watches. This justifies a premium and offers the company greater margins. In a recent survey 61 per cent of Swiss manufacturers said they were optimistic about the outlook for international sales. Nevertheless, Mr Thiebaud believes certain problems still need to be faced. Not least of these is a shortage of skilled workers - although this problem is not unique to the watchmaking industry.

"In 10 to 20 years it will be difficult to manufacture mechanical watches, even if there is demand for them, because of a lack of workers," he says. "We must make efforts to attract young people into the industry if we are going to survive."

Paul Abrahams

John Wicks profiles a machine-tool manufacturer

Tornos-Bechler turns the tide

INDUSTRY IN the Swiss Jura has gone through a trying time in the past few years. The upheavals in the country's watch sector and the inability of many of the local family-run craft businesses to adapt to new conditions have made inroads into the region's longstanding prosperity.

Until recently the machine-tool manufacturer Tornos-Bechler looked like being one of the major casualties. Based in Montier, a town in the French-speaking part of Bernese canton, the company started to feel the pinch in the mid-1970s when the oil crisis was disrupting world markets. At the same time, there were signs of the "third-generation syndrome" typical in old-established private enterprise.

In fact, things began to look tough shortly after steps had been taken to improve corporate prospects. In 1969 the original Tornos, a specialist in automatic lathes for the watchmaking industry, took over the neighbouring firm Petermann, a supplier to the watch and other industries.

Six years later came the merger with another Montier company, Bechler, a manufacturer of fittings. The belief was that benefits would arise from economies of scale. On the contrary, what resulted was a single company with an economically broad production programme and a workforce of some 2,500. It also had a low level of productivity.

Despite a reduction in employment, the company was carrying a great deal of dead wood and public confidence started falling off to the point where more and more employees handed in their notices while the going was good.

At the end of 1986 management prepared a medium-term plan for the period 1987-90 - and soon after began to look around for a partner. Unusually for a Swiss company, it found this abroad. Since last July Tornos-Bechler has been associated with the German Rothenberger/Pittler group.

This alliance makes sense in view of the complementary activities of the new majority shareholder's engineering division. It also, however, reflects the fact that no "Swiss solution" could be found. This is not without irony, since one reason for the 1974 merger of Tornos and Bechler had been to save Bechler from being taken over by foreigners. As Mr Michel Suchet, managing director, points out wryly: "There is a lack of confidence in industry in Switzerland - people here seem to have more trust in the service sector."

Whatever the case, the news of the German link did a lot to restore faith in the firm. At the same time, the 1986 plan started to take effect.

This has resulted in a draconian cut in the production programme, which today consists of only a limited number of profitable lines. The workforce has dropped by some 320 to little more than a thousand.

Tornos now manufactures a series of modern multi-spindle and turning lathes, as well as various conventional cam-

driven machine tools. The co-operation with Rothenberger - which last year also bought the American machine-tool company Motch from Switzerland's Oerlikon-Buehler group - has its synergies. The Tornos-Bechler line complements that of its German associates, in that the Swiss company concentrates on diameters of up to 30mm and the Germans on larger bores, also in that Tornos has among its clients suppliers to the car industry while Rothenberger sells to the car industry itself.

There are also some synergies in sales. Unlike many Swiss, Mr Suchet does not work at the shrine of high technology. This accounts, after all, for only about 20 per cent of industry's needs, he points out, and his company is keeping to about this share in its production programme. Nor has Tornos fallen into the common Swiss trap of turning out quality far above the needs and pockets of the market. It aims instead for "the necessary quality plus that Swiss touch" and, thanks to concentrating on profitable products and automating production, has kept prices at 1986 levels and thus proved "very competitive."

The results are impressive. The company today has the same turnover as when it employed 300-odd more people and sales per employee for 1988 of some Sfr 170,000, compared with only Sfr 50,000 five years earlier. Mr Suchet reckons on very good results for last year, with cash flow

equal to about 11 per cent of sales - as against 1987's modest 1.5 per cent.

With another medium-term plan pending, growth is to continue, with turnover set to reach about Sfr 200,000 per capita by 1991 and Sfr 300,000 by 1997. The 1989 budget is already reckoning on cash flow of 12.4 per cent of sales.

One of the most important assets for Mr Suchet is the excellent in-house training facilities. "Our future depends on the young," he says, and proved it by increasing the number of apprentices during the overall payroll cutback. Tornos-Bechler has, in fact, the biggest apprentices school in the country's entire machine tool industry. With today's high average employee age of over 45, there will be plenty of room for new talent.

At the same time, between Sfr 30m and Sfr 40m are to be invested by 1992-93, an important share to go to computerisation. With much thicker order books and a big replacement market in the offing, the time will soon be coming when the company has to think about capacity expansion. As early as next year, it could even be looking at the possibilities of producing abroad - in Europe, the US or Asia.

Nor is it out of the question that Tornos-Bechler shares could be listed in Switzerland in 1990 or 1991. Though Rothenberger is unlikely to want to cut its 80 per cent stake to a minority, it may be that the company could again become rather more "Swiss".

Watchmaking

Thousands of employees

Millions of watches & movements

Exports

Employment

Total

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Imports

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FOOD FOR THOUGHT: Solving the world's nutritional problems

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SWITZERLAND 6

TOURISM

It's so dumb not to be chums

THE NIGHT PORTER is dumb. When a guest in the small but comfortable hotel near Berne wants to go out, he inserts his room key into a board near the reception desk, gives it a twist and the board releases a door key to let him in at night. On his return, the guest reverses the procedure and recovers his room key.

The gadget is but one product of the need to rationalise exerted by the scarcity and high cost of labour. The doorman was also dumb: so was the bootblack. Drinks are available from a fridge in each room. A polishing machine takes care of shoes.

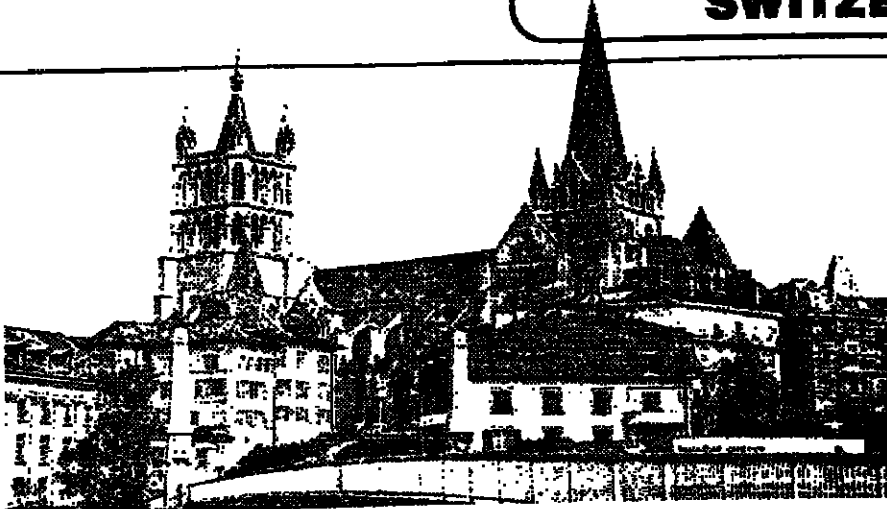
But labour costs alone do not explain why the number of tourist overnight stays in Switzerland is stagnating around a mark of about 75m a year. Switzerland has some of the highest food prices in the world. The Swiss franc has been strong for a succession of years, adding to the effect.

In the past few months the franc has in fact been weak, so that a holiday in Switzerland should cost rather less than in 1988. The tourist himself can push down the cost. Whoever is ready to eat local fare can save money by going to small but usually decent restaurants. Public transport is excellent and Swiss National Tourist offices abroad will advise on how to reduce fares by the use of rail and bus passes. They will also provide a brochure listing simple hotels that are "E&G," standing for economical and Gemuetlich.

Motorists who would rather not pay Sfr 30 (about £11) for a sticker authorising them to use Swiss motorways should know that other roads are good and distances generally short. Cost apart, cheap long-haul flights and the rush of tourists to many new destinations have caused the Swiss to lose share in what has been one of the most dynamic of markets. On top of that, there is little space left for more tourist facilities. The number of ski lifts, cable cars and the like has reached a point where there is popular resistance against building any more.

Many communes have curbed the building of holiday apartments. They particularly resent apartments which are not available for letting in the absence of the owner, as closed shutters give parts of some resorts a dead look.

Dr Helmut Kies, deputy director-general of the National Tourist Office, says that the Swiss accept the loss of market share as a logical consequence of the small size of the country and of their revulsion against ruining the landscape. Mr Gottfried Kuenzi, head of the Swiss Association for the Tourist Trade, says that the association wants to improve existing facilities, but sets its face against the opening up of



The Port Charles Bezares and Cathedral at Lausanne

any more winter sport regions.

Dr Peter Keller, of the Federal Office for Industry and Labour, asks: "How can we ensure that the tourist industry does not strangle itself?"

All of them agree that the answer is to offer tourists a "better product," meaning that since they pay more than elsewhere, they had better be given good value.

But Dr Keller also says that the Swiss tourist industry, since it accounts for about 7 per cent of gross domestic product and produces revenues of about Sfr 10bn (about £3.7bn) a year from foreign visitors, is too big to rely on finding niches in world markets (as much of Swiss manufacturing industry does). The inference is that the industry will have to walk a tightrope, pleasing the wealthy tourist without driving out the masses.

Where the borderline lies will differ from resort to resort. There is some pressure to induce holiday hotels to offer 50 per cent reductions for children, even if they have their own room instead of sharing with their parents. Many hotel keepers are not keen on the idea - even though studies have shown that visitors who have been to Switzerland as children are far more likely to return as adults than those who did not come in younger years.

To encourage the well-heeled visitor instead of the mass market, prescriptions include rolling back the number of places for caravans and camping down on the building of holiday homes. The first suggestion has the restaurant keepers and retail trade up in arms; the second is anathema to the construction industry.

A great unknown is how the completion of the internal market of the European Community will affect the Swiss industry. Everyone seems to be worried, but nobody seems to be sure. The most concrete fear is that EC social and regional funds will finance a great expansion of tourist facilities in the Mediterranean member countries. Deregulation might cut air fares to holiday destinations within the EC.

(Another theory to be heard, but not widely shared, has it that by remaining outside the Community Switzerland will gain "snob appeal" as something special.)

How one classic holiday region is trying to deal with these dilemmas can be seen at Locarno and Ascona on the shore of Lake Maggiore in the Italian-speaking Ticino. The neighbouring resorts with their immediate surroundings became tourist centres in the 19th century. But grandpa's tourism is out-of-date: it requires too much labour

and is ill-equipped to cope with guests who stay for a few days only. At Ascona, with 2,500 hotel beds, no fewer than 1,000 in four and five star hotels, the average stay is only five days; at Locarno with fewer luxury hotels, the average stay is 3.6 days.

Tucked in between lake and hillside, neither resort has much space to develop. And since they are not in the high mountains, both compete more directly with holiday regions outside Switzerland than do, for example, the Engadine or the Bernese highlands.

Both resorts have put money into providing cultural attractions of many kinds: Locarno has annual film festivals and flower shows devoted entirely to camellias which flourish in the mild climate. Ascona has a music festival with international celebrities and this year, for the first time, is setting up an open-air stage for opera productions "borrowed" from Verona and Venice. Won't they be raised off?

No, says Mr F Vacchini, head of the Ascona tourist office: there are only three days of rain in an average Ascona July. Both resorts are casting a baleful eye at a camping lot with room for 20,000 people on the other side of the lake and obviously hope to roll back the invasions of campers from there on rainy days in summer.

The greatest effort has been reserved for a scheme to banish through traffic from the two resorts. Road tunnels are being built and a narrow gauge railway is also going underground.

(It is going to cause some disruption until the tunnels are completed, not before 1991. By the time a pedestrian area has been laid out, a new marina built and multi-storey car parks are established, also below ground, the best part of Sfr 1bn (about £370m) will have been spent.)

In the business they attach most importance to what Mr Paolo Brunetti, director of Locarno's tourist office, calls "touristic culture," or personal contact between guest and hotel keeper. It can take many forms besides a cheery "good morning."

There are hosts who take guests (provided they are willing, one hopes) for country walks at sunrise; at Locarno a hotel keeper loads guests into a 1920s nostalgia bus and shows them how flour used to be milled and baked in the old days. He rounds off with a musical barbecue because, he says, making guests chummy with each other is a good way to make them come back.

W L Luetkens

Agricultural subsidies come under pressure

Peasants may feel the pinch

THE Second World War has cast some long and curious shadows. But one of the more lasting shades has been the privileged position offered to Swiss farmers.

After losing both prestige and economic importance during the 1930s, the status of peasants in Swiss society was firmly re-established by their success in producing enough food during the war for Switzerland to become self-sufficient.

A significant legacy of that success has been that Swiss farmers remain among the most protected in Europe. Indeed, their position is guaranteed by the constitution, which states the necessity of maintaining measures to keep a strong peasant population. However, that position looks set to be challenged both internationally and from within Switzerland.

One of the main threats to comes from the Uruguay Round of multilateral trade talks now being negotiated under the auspices of Gatt.

After the breakthrough achieved this month at the Uruguay Round by representatives of the US, the European Community and the 13-nation Cairns group of independent farm producers, in making a substantial reduction in agricultural subsidies, Switzerland is likely to come under pressure to do likewise.

Swiss agriculture is particularly vulnerable because of the high level of protection offered by the Government. For example, Berne guarantees the price of a quintal of wheat at Sfr 105. This compares with Sfr 40 in the EC, Sfr 20 in the US and about Sfr 12 on the open market.

That level of subsidy will also come under increasing scrutiny from the European Community. The Swiss authorities are particularly anxious to avoid friction with the EC over agriculture at a time when they are negotiating with Brussels about the country's relationship with the EC after the creation of a single market in 1992.

In meeting these pressures from Gatt and the European Community, the Swiss Government admits that it finds itself faced with a paradox. On the one hand, it wants to protect its agricultural sector - a policy which almost inevitably necessitates subsidies. On the other hand, it is committed to

free trade. It estimates that as much as a third of the country's GNP is exported. "Our position may appear paradoxical, but it is not contradictory," says Mr David de Pury, one of the Swiss negotiators at Gatt.

"Our level of self-sufficiency in food production is around 85 per cent - only Hong Kong has a lower figure. All countries want to maintain a degree of agricultural self-sufficiency. And if we do so, we can protect our production, it is certainly not so that our farmers can flood the world market with cheap cheese," says Mr de Pury.

"Nevertheless, we live off the international trading system. One in every two francs earned in Switzerland is through export. We cannot afford to lose credibility by moving our agricultural policy in the wrong direction against the trend towards liberalisation," he admits.

Mr de Pury believes that eventually Switzerland will have to freeze agricultural subsidies to meet pressure from Gatt, but adds that some flexibility will have to remain within the system for special cases.

The recognition that subsidies may have to be frozen, or even reduced, has been made easier by increasing domestic concern about the high cost of such policies.

Both consumers and retailers have seemed more reluctant to support high prices. The first wind of revolt appeared in September 1988, when in a referendum Swiss voters refused to support an

increase in subsidies for sugar beet production.

Their rejection was motivated by what was perceived as the unacceptable cost of existing subsidies. Merely in direct support, the Federal Government spent Sfr 2.4bn in 1988 on farmers.

But Migros, the Zurich-based retailing group, which has been orchestrating the campaign against high prices, argues that taxpayers are being doubly penalised. As

have changed in emphasis. Now they stress the need to protect the environment rather than to maintain levels of auto-sufficiency.

"We have another mission besides production," says Mr Jean Savary, president of l'Union Suisse des Paysans. "In the long term, the environment needs protecting - and, one way or another, peasants are the most economic way of doing that."

One method to achieve that objective is through direct payments which are not linked to production - a solution favoured by some members of the Swiss team negotiating at the Uruguay Round.

However, Mr Savary is hostile to such a policy. At least, he is hostile to the words "direct payments" because of the suggestion that peasants might become civil servants. That could be yet another disincentive for young peasants to stay in the countryside.

Mr Savary points out that the peasant sector has already declined as a proportion of the active population from 15 per cent in 1945 to about 6 per cent. There are now only 120,000 peasant farms in the country and only half of those working on them sustain themselves exclusively through agriculture.

"One of the possibilities available is to have payments for helping nature, but that is not going to solve all the problems," says Mr Savary.

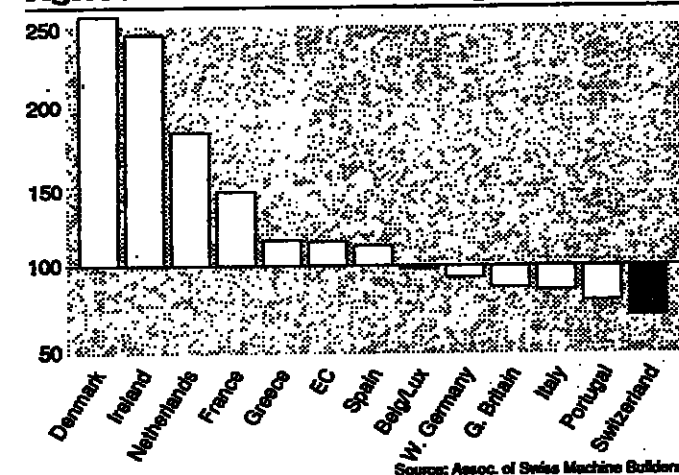
"If we are to keep farmers producing throughout the country - and avoid the deserted villages which now exist in France and Germany - then we have to keep the profession attractive by maintaining financial independence. This could be achieved through greater concentration on quality products. These could be carefully marketed with clearly differentiated labels as is the case in France."

A review of the position of Swiss agricultural policy in the economy is about to get under way, analysts believe. The outcome of that review, driven by a combination of the declining political power of the peasants together with increasing domestic and international pressures, should mean that the sector is on the threshold of a fundamental period of restructuring.

Paul Abrahams

Berne guarantees a wheat price of Sfr 105 a quintal, which compares with Sfr 40 in the EC and about Sfr 12 on the open market

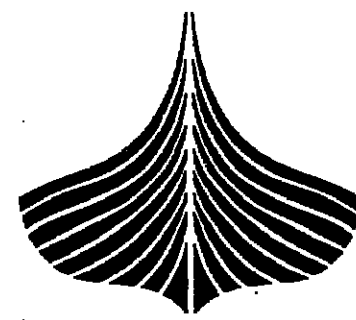
Agricultural self-sufficiency



Source: Assoc. of Swiss Machine Builders

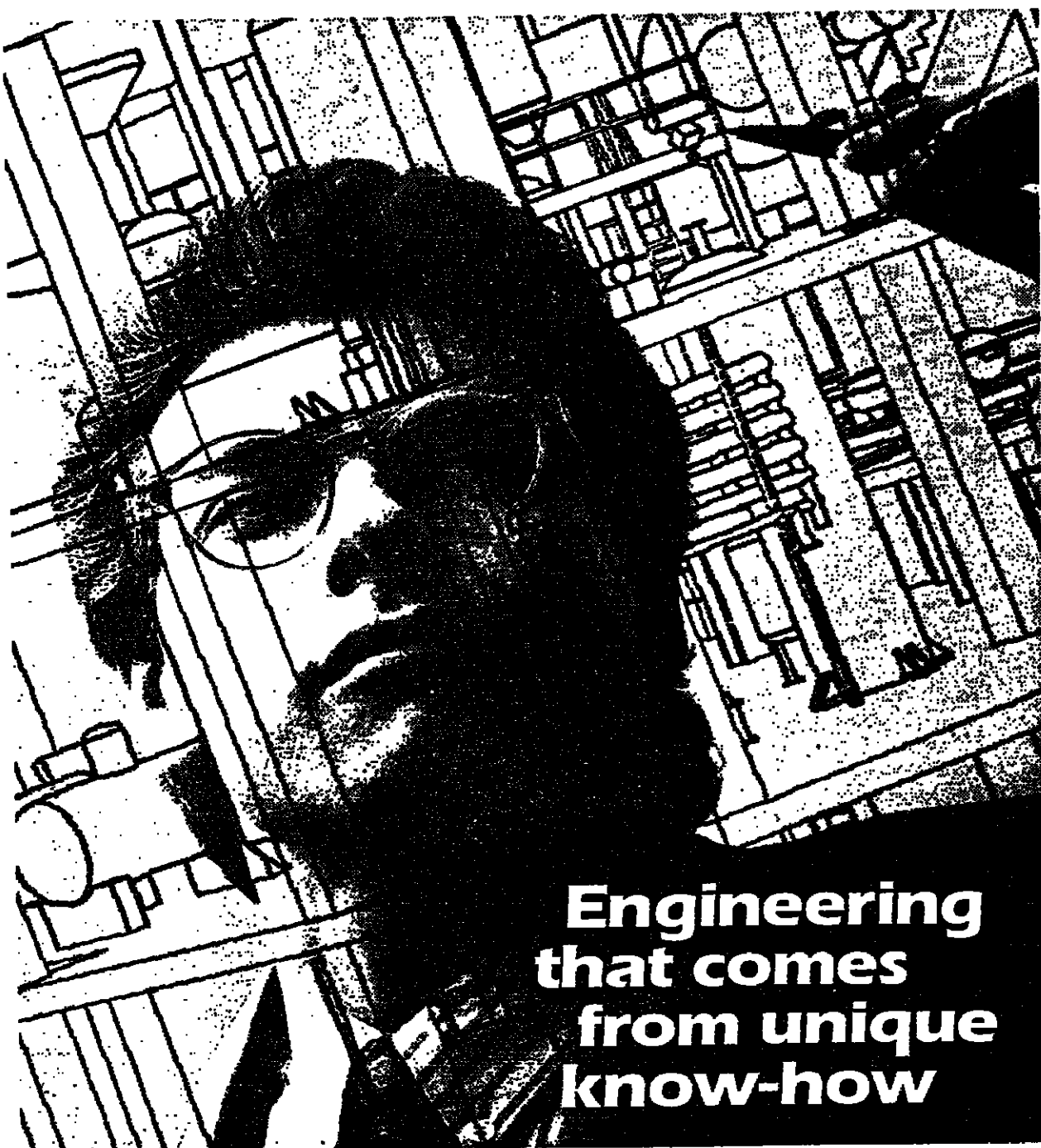
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